



Annual Report 2011/12



BITOU LOCAL MUNICIPALITY 1st DRAFT ANNUAL REPORT 2011/12

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MAYOR'S FOREWORDMAYOR'S FOREWORD



WE WILL CONTINUE TO HONOR THE CONSTITUTIONAL OBJECTIVES FOR LOCAL GOVERNMENT TO ENSURE SERVICES PROVISION IN A SUSTAINABLE MANNER, TO PROMOTE SOCIAL AND ECONOMIC DEVELOPMENT, TO PROMOTE A SAFE AND HEALTHY ENVIROMENT AND TO PROVIDE A DEMOCRATIC AND ACCOUNTABLE GOVERNMENT.

WHERE WE LACKING OR FAILING, WE WILL FACE OUR OBLIGATIONS AND ACTIVELY ADDRESS THE ISSUES THAT REQUIRE IMPROVEMENTS IN ORDER TO ENSURE THAT WE COLLECTIVELY CREATE, MANAGE AND MAINTAIN THE BEST POSSIBLE MUNICIPALITY FOR OUR COMMUNITY, VISITORS AND INVESTORS.

THIS CAN'T BE ACHIEVED UNILATERLY.....*to be the best together*....WE CONSTANTLY HAVE TO TAKE HANDS AND WORK TOGETHER.

It gives me great pleasure to present the Annual Report to all the stakeholders in Bitou for the year under review. The year 2011/2012, has been filled with its quota of ups and downs, and challenges, yet it was a fulfilling year.

With a background of a global recession and macroeconomic instabilities which have impacted our local economy, we again have achieved our main goal to deliver outstanding world-class services, which have been rewarded with the blue drop status for drinking water quality, green drop status for our sanitation management and treatment and the blue flag status for our swimming beaches. Besides the service delivery accolades we have also been rewarded with the BASA Award for site specific land art and the Govern Mbeki Award for Human Settlement projects.

We have been through a period of relative political stability, and together with a more stable administration, we have improved and enhanced governance and accountability which is evident in our latest unqualified audit opinion. We have maintained our infrastructure refined and strengthen our regulatory and fiscal policies and we revisited our organizational structure in an effort to be more productive and cost effective.

Yet we always have to improve in our efforts, and it is my intention to unambiguously embark on:

- Equal opportunities for all
- Effective communication with our communities
- Clean and effective administration with zero tolerance for corruption
- Executing strict credit control
- Implementing a performance management system
- Do a comprehensive risk analyzes and implementing risk management

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May we grow from strength to strength on our never ending journey of discovery and achievements as we already begin to round the corner towards 2013.

THANK YOU



MR Memory Booysen

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MUNICIPAL MANAGER'S OVERVIEW



Bitou Municipality endured a period of administrative uncertainty in the year under report. Two Acting Municipal Managers served the Municipality in the time and there were numerous staff changes, including Senior Managers and Managers who left the employ of the Municipality. This had the potential to seriously impede service delivery, and yet the Municipality maintained its service levels.

The Municipality agreed to create a sustainable living environment for all residents and visitors, with access to appropriate, high quality, comprehensive and equitable opportunities, based on a developmental approach. In order to achieve this, it was necessary to introduce extraordinary measures to facilitate and speed up the implementation of development programmes. The outcome of this approach reflects in

this Annual Report.

By maintaining a focussed approach, the Municipality could develop plans, policies and guidelines to promote land and economic development. Support of local attractions was embodied through the Grant-in-Aid Policy. A Tourism Management Policy was developed, leading to the establishment of a private sector, business driven tourism management body. There were agreements on the strategic planning of the Municipality, through amongst others the development of a Spatial Development Framework, updating of the Human Settlement Plan, the closure of the Solid Waste Disposal Facility and the development of a Waste Transfer Facility, incorporating a recycling facility. Agreement was also reached on the extension of the Neighbourhood Development Program Grant to include Kranshoek, Kurland and Wittedrift.

The Bitou Municipality thus laid the foundation for significant improvement in the future administration. In the new financial year it can focus on its constitutional functions, to ensure economic stability, if not growth, and alignment of needs and projects. The financial situation of the Municipality does not allow for significant investment. It will therefore be important to reduce spending without lowering service levels and ensuring a balance in the finances, by attracting growth in sectors that do not require disproportionate municipal capital investment.

Compliance monitoring, performance management and related administrative functions were not maintained in the year under review. This will be one of the main administrative focus areas for the new year, to ensure that the Bitou community can measure whether it gets value for its money. The Municipality already adopted shared services arrangements in numerous functions, e.g. development of an integrated waste management system, a coastal management program and geographic information system, to reduce its costs, whilst complying with statutory requirements.

It is understandably difficult for me, as the recently appointed Municipal Manager, to provide a comprehensive overview

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of the year under review, but the indicators are positive and we will build on the positives, rather than dwell on the negatives, and provide the community with top-class services and functions in the new year.

Thank you.

A handwritten signature in black ink, appearing to read 'Allen Paulse', is written on a light pink rectangular background.

ALLEN PAULSE

Chapter 1

Municipal Overview



BITOU LOCAL MUNICIPALITY 1st DRAFT ANNUAL REPORT 2011/12

CHAPTER 1: INTRODUCTION AND MUNICIPAL OVERVIEW

1.1 MUNICIPAL OVERVIEW

This report addresses the performance of the Bitou Municipality in the Western Cape in respect of its core legislative obligations. Local government must create the participatory framework that defines and enhances the relationship between elected leaders and their communities. This requires that the council of the municipality provides regular and predictable reporting on programme performance and the general state of affairs in their locality.

The 2011/12 Annual Report reflects on the performance of the Bitou Municipality for the period 1 July 2011 to 30 June 2012. The Annual Report is prepared in terms of Section 121(1) of the Municipal Finance Management Act (MFMA), in terms of which the Municipality must prepare an Annual Report for each financial year.

1.1.1 VISION AND MISSION

The Bitou Municipality committed itself to the vision and mission of:

Development Vision:

"To be the best together"

"Om saam die besteteweess"

"SobalaselaSonke"

Spatial Vision:

"Bitou, a place for all"

Mission:

The political office bearers and staff of the Bitou Local Municipality commit to:

Effecting participative and accountable development local government and governance.

Fostering effective intergovernmental relations

Facilitating sustainable people-centred development and ensuring environmental integrity

Proactively identifying and securing suitable land for settlement

Providing effective basic services

Facilitating local economic development with a particular focus on reducing poverty, creating jobs and developing the tourism and eco-tourism sectors

Facilitating social upliftment and community integration

Adhering to the Batho Pele principles for its community

1.1.2 DEMOGRAPHIC INFORMATION

A) MUNICIPAL GEOGRAPHICAL INFORMATION

BitouMunicipality is situated in the Western Cape Province within the jurisdictional area of Eden District Municipality. The municipal area, in extent **991,84 km²**, is situated in the South Eastern corner of the province and the Bloukrans River is the boundary between the Western and Eastern Cape Provinces. The following map indicates the extent of the BitouMunicipality's area of jurisdiction:

Below is a map of the Western Cape that indicates the location of the BitouMunicipality in the Eden District area:



Figure1: Western Cape Area map

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Wards

The Municipality is currently structured into the following 7 Wards:

WARD	AREAS
1	Green Valley, Wittedrift, Craggs, Kurland, Keurbooms, Natures Valley and Covie
2	Town (Plett South and Plett North)
3	Qolweni, Bossiesgif, Pine Trees and Gatjie
4	New Horizon and Part of Kwanokuthula (Split VD)
5	Phase 1 and Phase 2 Kwanokuthula
6	Phase 3 Kwanokuthula
7	Kranshoek, Harkerville and Split VD Phase 3 Kwanokuthula

Table 1: Municipal Wards

The following table indicates the urban, peri-urban and rural areas situated within the boundaries of the municipality:

Urban areas	Peri-urban areas	Rural areas
Plettenberg Bay New Horizons Kwanokuthula Bossiesgif / Qolweni	Keurbooms Kranshoek Nature's Valley The Craggs / Kurland Wittedrift / Green Valley	Uplands De Vlucht Covie Harkerville Fisantehoeck Redford Road

Table 2: Municipal Areas

The municipal area contains a variety of landscape types containing many areas of special beauty and historical significance that can be divided into the following landscape character types:

- Mountains and mountain valleys
- Foothills
- Plateau
- Incised river valleys
- Sheltered lowland
- Lowland valleys and wetlands
- Estuaries
- Beach shorelines and dunes
- Rocky shores and headlands

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- Seascape
- Indigenous forest
- Plantation

B) POPULATION

The municipality is estimated to account for **8.18 %** or **43 239** of the Eden District's population **561 322**.

a) Total Population

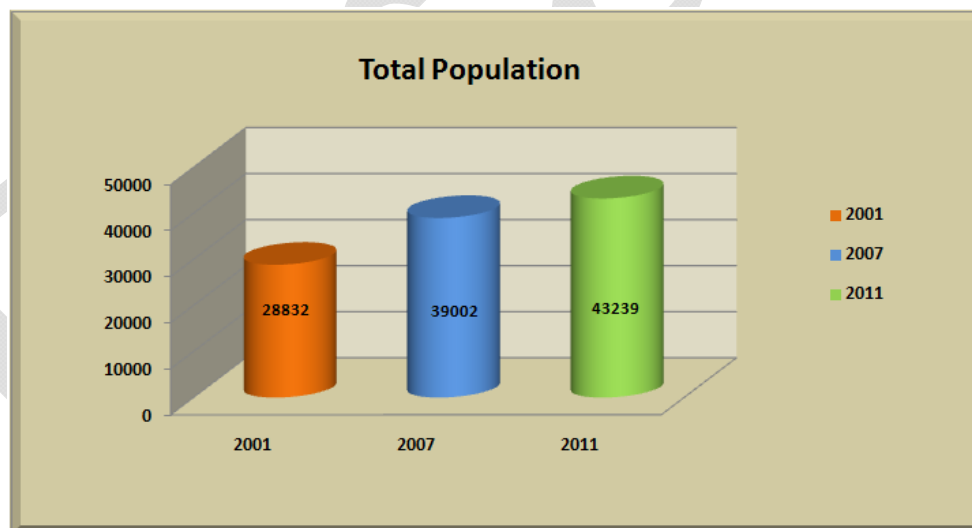
The table below indicates the total population within the municipal area:

Population	2001	2007	2011
	28 832	39 002	43 239

Table 3: Demographic information of the municipal area – Total population

Source: Global Insight 2010

The graph below illustrate the yearly population growth for the municipal area.



Graph 1: Total Population Growth

BITOU LOCAL MUNICIPALITY 1st DRAFT ANNUAL REPORT 2011/12

C) HOUSEHOLDS

The total number of households within the municipal area increased from **15 087** households in 2010/11 financial year to a total of **16 645** households in 2011/12 financial year. This indicates an increase of **10.3%** in the total number of households within the municipal area over the two years. The average household size in the Bitou Municipal area is 4 which is in line with the national, provincial and district numbers.

Households	2009/10	2010/11	2011/12
Number of households in municipal area	15 029	15 087	16 645
Number of indigent households in municipal area	1 843	1 685	1 888

Table 4: Total number of households

Source: Global Insight 2010

The graph below shows that the total numbers of indigent households **increase** from **1 685** in 2010/11 to **1 888** in the 2011/12 financial year. The indigent households show an annual **increase** of **11%**. This does not necessarily mean that the number of poor households decreased but indicates that fewer households registered for indigent support. This is possibly because all households are not aware of the indigent support available.



Graph 2: Total % indigent households within the municipal area

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D) KEY ECONOMIC ACTIVITIES

Tourism is currently the bedrock of Bitou's economy and this industry in particular needs to be looked at as a potential source of opportunities for growth and job creation. However, although tourism is currently perceived as a primary driver of the Bitou economy, sectors such as Construction and Manufacturing are other promising sectors. Furthermore, it is important to view these three sectors as **potential drivers** of the economy **without disregarding the complex manner** in which it interacts with all the other sectors not mentioned here, such as agriculture, transport and the emerging markets for eco-efficient technologies focused on water, energy and waste.

The Municipality is dependent upon the following economic activities:

Key Economic Activities	Description - LED
Tourism	Bitou is a popular holiday destination. It has also become a sought after residential location for retired persons and foreigners. This has certainly been the main contributing factor to the growth that it has experienced over the recent past. Ironically, however, this is also the reason for constraining growth. The dramatic increase in prices for accommodation and houses, it appears, has discouraged a number of domestic tourists from choosing Bitou as a holiday resort. While the current flow of tourists is nevertheless a source of income for residents, the benefits flow to a small proportion of Bitou's population. If tourism is to benefit an ever larger number of Bitou's population this will have to change.
Manufacturing	In Bitou, this sector employs approximately 8% of all labour ¹¹ . Interviews with key companies in the manufacturing sector confirmed that there was great optimism about the prospects for future growth in the Bitou economy.
Trade and Construction	The trade and construction sectors of the economy are major contributors to employment and income generation in the area. As a percentage of total employment, construction and trade generate approximately 33% of total employment although this is down from 36,9% in 1996. Approximately 15% of this is generated by construction.

Table 5: Key Economic activities

1.1.3 SOCIO ECONOMIC INFORMATION

A) SOCIO ECONOMIC GROWTH

The socio-economic information for the municipal area is as follows:

Housing Backlog	Unemployment Rate	Households with No Income	People older than 14 years illiterate	HIV/AIDS Prevalence	Urban/rural household split
8 166	11%	36%	22%	31%	85%/15%

Table 6: Socio Economic information

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B) POPULATION BY GENDER

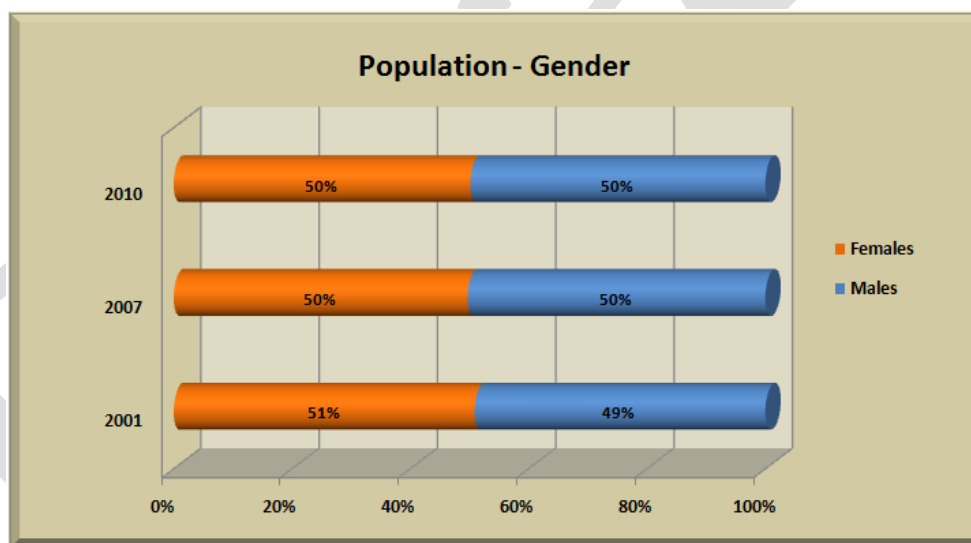
In 2001 the Bitou population showed that females represent **14 839 (51%)** and males represent **14 343 (49%)**. In 2007 the population is closely balanced with **19 371 (49.7%)** representation of females and **19 631 (50.3%)** of males whilst in 2011 the population increased to **22 482 (50%)** representation of females and **22 360 (50%)** of males. This indicates that females had a growth rate of **16%** whilst males had a growth rate of **14%**.

Population - Gender	2001	2007	2010	% growth rate
Females	14 839	19 371	22 482	16
Males	14 343	19 631	22 360	14
Total	28 832	39 002	44 842	15

Table 7: Demographic information of the municipal area – Gender

Source: Global Insight 2010

The following graph displays the female to male ratio.



Graph 3: Gender Population

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C) POPULATION BY AGE

Population - Gender/Age	2001	2007	2010
Females aged 0 - 4	1 299	2 017	1 960
Males aged 0 - 4	1 282	2 034	3 993
Females aged 5 - 14	2 581	2 570	3 867
Males aged 5 - 14	2 435	2 503	7 596
Females aged 15 - 34	5 664	8 136	7 582
Males aged 15 - 34	5 564	8 278	15 087
Females aged 35 - 64	4 403	6 003	15 167
Males aged 35 - 64	4 268	5 853	15 326
Females aged 65 and older	890	647	1 489
Males aged 65 and older	791	963	2 841

Table 8: Population by age

D) POPULATION BY RACE CATEGORIES

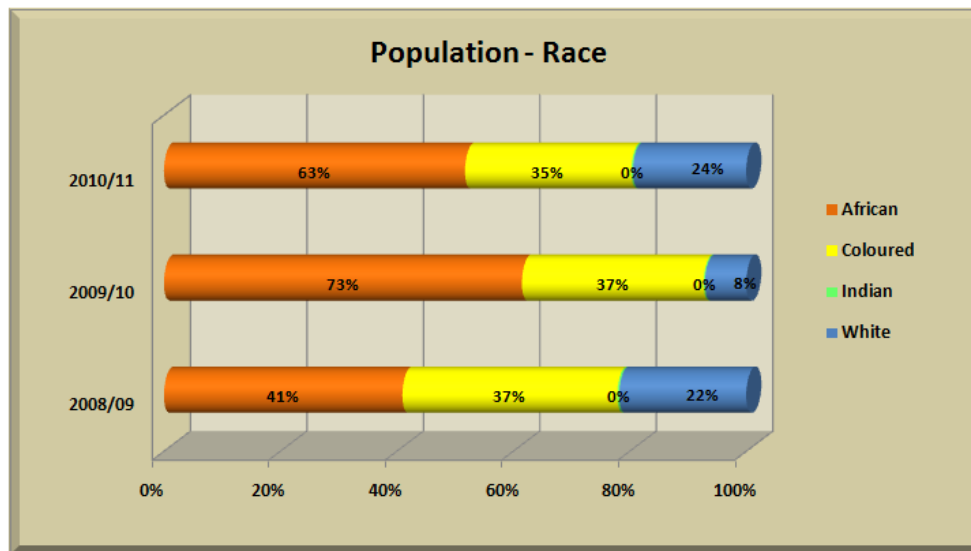
Population - Racial	2001	2007	2010	% Growth
African	11 810	21 111	18 284	-13.39
Coloured	10 639	14 491	15 711	7.77
Indian	99	109	160	31.88
White	6 284	3 290	10 687	324.83
TOTAL	28 832	39 002	44 842	351.09

Table 9: Demographic information of the municipal area – Race categories

Source: Global Insight 2010

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The graph below shows the population by race.



Graph 4: Population by race

1.1.4 MUNICIPAL CHALLENGES

The following general challenges are experienced by the municipality:

CHALLENGES	ACTIONS TO ADDRESS
Housing	Land availability, lobby with the Province
	Annual allocation of funds for housing
Waste Management	Capital and capacity shortcomings
Lack of resources – staff	Appointments have been made in the essential re-active sections, e.g. building control and land use management. Environmental management, project management and strategic monitoring and support staff, e.g. LED clerks, PMS / SDBIP staff, are not yet prioritised or budgeted.
Lack of resources – funds	Lack of funds cause a backlog of projects, e.g. the establishment process of a much needed cemetery, the survey of properties illegally occupying open space / public land with private facilities. In-house resources are used where legally permitted and budget requests are made annually. Alternative means of provision, e.g. by negotiating with land owners and using legislation such as Act 126 of 1993 in conjunction with the Department of Rural Development and Land Reform are now initiated.
Lack of resources – business tools (A3/4 copiers / scanners /	Staff cannot operate GIS, due to outdated computer and IT

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CHALLENGES	ACTIONS TO ADDRESS
colour laser printers).	equipment. Budget requests are made annually Alternative means is for staff to use their own private tools, e.g. cameras when going out on site visits and doing printing off site in other Departments or through private enterprise.
Long outstanding land use planning applications	Further delegations have been asked for the HOD and applications are now clustered, to complete those with similar characteristics in geographic areas. Work flow processes have also been adapted, to get planners to specialise in certain functions and geographic areas.
Illegal land use and building activities	Cases are being referred for legal action, to set examples and the staff have been advised / sensitised to multi-task when going out on site visits, to also check on aspects other than the purpose of their visits.
Non-compliance with legislation by municipality and private individuals	Application and administrative processes, maintenance of systems and general compliance with legislation is lacking, e.g. development of land without prior environmental authorisation or in conflict with title deed restrictions. Staffs needs to be appointed and trained to be able to deal with these matters.

Table 10: Municipal Challenges

Chapter 2

Governance



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CHAPTER 2: GOVERNANCE

Good governance has 8 major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

During the financial year under review, Municipal elections were conducted on 18 May 2011 and a new Council appointed. A reflection of the Councillors in office during the 3rd term of office of Council is indicated further in this chapter, as well as the new Councillors, appointed on 6 June 2011 at the Inaugural Meeting of the Municipal Council of Bitou Local Municipality for the 4th term of Council.

2.1 NATIONAL KEY PERFORMANCE INDICATORS - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations 7146 2001 and section 43 of the MSA. This key performance indicator is linked to the National Key Performance Area - Good Governance and Public Participation.

KPA & INDICATORS	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT
	2009/10	2010/11	2011/12
<u>Good governance and public participation</u>			
The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan	83	72	70

Table 11: National KPIs - Good Governance and Public Participation Performance

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2.2 PERFORMANCE HIGHLIGHTS - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Highlight	Description
Review of Ward Committee Procedures and Structures and adoption of Ward Committee Policy	Ward Committees had to be re-established after the municipal elections, and a policy had to be drafted on how they would function. Various reports were submitted to Council in this regard, addressing issues such as Sector representation, qualification, order of business of Ward Committee meetings and stipend fees. A policy was drafted and submitted to Council for approval. The Policy has now been drafted, and the criteria previously agreed upon have been incorporated into the approved policy.
Procedures and processes towards the entering into of a long term lease agreement – Plettenberg Bay Knysna Airport	The Municipal Council resolved that the Plettenberg Bay Airport should be leased, on a long term basis, to a prospective lessee subject to, amongst others, the introduction of scheduled commercial flights between Plettenberg Bay and Cape Town and Gauteng respectively. Furthermore, the total costs of providing the necessary infra-structure to enable such commercial flights should be borne solely by the successful lessee. Proposals were invited, and Indiza Airport Management was identified as the preferred proposer. In terms of Section 21A of the Municipal Systems Act 32 of 2000 due process has been followed and a public participation process conducted. The local community and other interested persons were invited to submit to the municipality comments or representation in respect of the entering of a long term lease with Indiza Airport Management.
Management and Administration of Council's Committees,	All Mayoral Committee, Council and Audit Committee meetings were conducted and Agendas and minutes distributed within the prescribed timeframes

Table 12: Good Governance and Public Participation Performance Highlights

2.3 CHALLENGES - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Description	Actions to address
Capacity constraints due to scarcity of Human Resources; inability to retain skilled staff; and absence of approved Macro and Micro structures	Review and development of Micro and Macro Organisational Structure and incentive schemes to draw and retain skilled staff
Enhancing public participation	Functional community participation mechanisms and ward committee establishment to be completed.
Skills Development	Personnel in all departments to be provided with the required training and development to improve their skills.
Customer Care Services	Additional capacity in the form of Human Resources and Electronic Management System

Table 13: Good Governance and Public Participation Challenges

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2.4 GOVERNANCE STRUCTURE

2.4.1 POLITICAL GOVERNANCE STRUCTURE

The council performs both legislative and executive functions. They focus on legislative, oversight and participatory roles, and have delegated its executive function to the Executive Mayor and the Mayoral Committee. Their primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as decision makers, Councillors are also actively involved in community work and the various social programmes in the municipal area.

A) COUNCIL

The Bitou Local Municipal Council comprised of **13** councillors, including **7** Ward Councillors and **6** Proportional Representation Councillors. Bitou Local Municipality has an Executive Mayoral Committee system and the Executive Mayoral Committee was made up of Councillors drawn from the ruling parties, namely the **DA and Cope Alliance**.

Below is a table that categorised the councillors within their specific political parties and wards:

Name of councillor	Capacity	Political Party	Ward representing or proportional (PR)	Gender
ClIr MBooyesen	The Executive Mayor	DA	PR	Male
ClIr AG van Rhyner	The Deputy Mayor	COPE	PR	Male
ClIr CL Dreyer	The Speaker (Effective from 30 November 2011)	DA	Ward 2	Male
ClIr JWG Brümmer	Mayoral Committee Member (Effective from 30 November 2011)	DA	PR	Male
ClIr EE Paulse	Mayoral Committee Member	DA	PR	Female
ClIr NM de Waal	Ward Councillor	DA	Ward 1	Male
ClIr SE Gcabayi	Ward Councillor	ANC	Ward 6	Male
ClIr L Jonas	Ward Councillor	ANC	Ward 4	Male
ClIr MM Mbali	Ward Councillor	ANC	Ward 5	Male
Ald LL Mvimbi	PR Councillor	ANC	PR	Male
ClIr AR Olivier	PR Councillor	DA	PR	Female
ClIr LM Seyisi	Ward Councillor	ANC	Ward 3	Female
ClIr JJN Stuurman	Ward Councillor	ANC	Ward 7	Male

Table 14: Council 2011/12

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Below is a table which indicates the Council meeting dates for the 2011/12 financial year:

MAYCO Meeting Dates			Council Meetings Dates			Apologies for non-attendance
Ordinary	Special	In-committee	Ordinary	Special	In-committee	
-	22 July 2011	-	-	22 July 2011	22 July 2011	Special Council & Council In Committee Councillor MM Mbali
27 July 2011	28 July 2011	-	-	27 July 2011	19 August 2011	Special Council In Committee AldLLMvimbi
31 August 2011	7 September 2011	-	-	31 August 2011	-	All Councillors Present
7 September 2011	-	-	-	27 September 2011	-	All Councillors Present
26 October 2011	-	14 October 2011	-	26 October 2011	-	All Councillors Present
25 January 2012	9 February 2012	16 February 2012	30 March 2012 (adjourned to 4 April 2012)	16 February 2012	16 February 2012	Special Council & Council In Committee Meeting AldLLMvimbi
7 March 2012	16 February 2012	27 February 2012	29 June 2012	2012.02.16 & 2012.02.27	2012.02.27	Special Council & Council- In Committee Meeting AldLLMvimbi
30 March 2012	27 February 2012	22 March 2012	-	22 March 2012	22 March 2012	Special Council & Council In- Committee Cllr AB Van Rhyner
31 May 2012	22 March 2012	30 March 2012	-	31 May 2012	30 March 2012 (adjourned to 4 April 2012)	All Councillors Present
29 June 2012	19 June 2012	23 April 2012	-	19 June 2012	23 April 2012	All Councillors Present
-	-	29 June 2012	-	-	29 June 2012 (adjourned to 2 July 2012)	Council In Committee EEPulse

Table 15: Council meetings

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B) EXECUTIVE MAYORAL COMMITTEE

The Executive Mayor of the Municipality, **Councillor Memory Booysen**, assisted by the Mayoral Committee, heads the executive arm of the Municipality. The Executive Mayor is at the centre of the system of governance, since executive powers are vested in him to manage the day-to-day affairs. This means that he has an overarching strategic and political responsibility. The key element of the executive model is that executive power is vested in the Executive Mayor, delegated by the Council, and as well as the powers assigned by legislation. Although accountable for the strategic direction and performance of the Municipality, the Executive Mayor operates in concert with the Mayoral Committee.

The name and portfolio of each Member of the Mayoral Committee is listed in the table:

Name of member	Capacity
Councillor M Booysen	Executive Mayor
Councillor A B Van Rhyner	Deputy Executive Mayor
Councillor C L Dreyer	Member (1 July 2011 to 30 November 2011)
Councilor J W G Brummer	Member (30 November 2011 to 19 June 2012)
Councilor Paulse	Member
Councillor A R Olivier	Member

Table 16: Executive Mayoral Committee 2011/12

The table below indicates the dates of the Committee meetings and the number of reports submitted to Council for the 2011/12 financial year:

Meeting date			Number of reports submitted to council		
Ordinary	Special	In-Committee	Decision Of The Executive Mayor (In-Committee)	Mayoral Committee Decisions	Referred/Recommended To Council
-	22 July 2011	-	-	-	1
27 July 2011	-	-	-	13	11
	28 July 2011	-	-	3	
31 August 2011	-	-	-	21	7
-	7 September 2011	-	-	2	
27 September 2011	-	-	-	12	9
-	-	14 October 2011	-	-	1
26 October 2011	-	-	-	8	10

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Meeting date			Number of reports submitted to council		
Ordinary	Special	In-Committee	Decision Of The Executive Mayor (In-Committee)	Mayoral Committee Decisions	Referred/Recommended To Council
30 November 2011	-	-	-	8	18
25 January 2012	-	-	-	3	13
-	9 February 2012	-	-	1	-
-	16 February 2012	16 February 2012	-	-	-
-	-	-	21 February 2012	-	1
-	27 February 2012	27 February 2012	-	-	2
7 March 2012	-	-	-	6	8
-	22 March 2012	22 March 2012	-	-	3
30 March 2012	-	30 March 2012	-	11	13
-	-	23 April 2012	-	-	1
31 May 2012	-	-	-	14	18
-	19 June 2012	-	-	-	2
29 June 2012	-	29 June 2012	-	8	6

Table 17: Committee Meetings

2.4.2 ADMINISTRATIVE GOVERNANCE STRUCTURE

The Municipal Manager is the Chief Accounting Officer of the Municipality. He is the head of the administration, and primarily has to serve as chief custodian of service delivery and implementation of political priorities. He is assisted by his direct reports, which constitutes the Management Team, whose structure is outlined in the table below:

Name of Official	Position	Performance agreement signed
		(Yes/No)
Mr LM RNgoqo	Municipal Manager (1 June 2011 until 7 February 2012)	No
Mr M du Plessis	Acting Municipal Manager (July 2012 until 14 February 2012)	No
Mr MG Giliomee	Acting Municipal Manager (20 February 2012 until 31 July 2012)	No
Mr DD Lott	Chief Financial Officer (1 July 2011 until 20 January 2012)	No

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Name of Official	Position	Performance agreement signed
		(Yes/No)
Mr MG Gilliomee	Acting Chief Financial Officer (1 January 2012 until 28 February 2012)	No
Mr A Bredenhan	Acting Chief Financial Officer (1 March 2012 until 31 st August 2012)	No
Mr CF B Mattheus	Head: Corporate Services (1 July 2011 until 31 March 2012)	No
MsAAGreyling	Acting Head: Corporate Services (April 2012 to date)	No
P Ngqumshe	Head: Municipal Services and Infrastructure Development	No
Mr RR Links	Head: Strategic Services (1 July 2011 until September 2011)	No
Mr L Gericke	Acting Head: Strategic Services (October until December 2011)	No
D Lombaard	Head: Strategic Services (1 January 2012 to date)	No
M Stratu	Head: Community Services	No

Table 18: Administrative Governance Structure

2.5 PUBLIC ACCOUNTABILITY

Section 16 of the Municipal Systems Act (MSA) refers specifically to the development of a culture of community participation within municipalities. It states that a municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance. For this purpose it must encourage and create conditions for the local community to participate in the affairs of the community. Such participation is required in terms of:

- the preparation, implementation and review of the IDP;
- establishment, implementation and review of the performance management system;
- monitoring and review of the performance, including the outcomes and impact of such performance; and
- preparation of the municipal budget.

2.5.1 WARD COMMITTEES

Ward Committees had to be re-established after the municipal elections, and a policy had to be drafted on how they would function. Various reports were submitted to Council in this regard, addressing issues such as Sector representation, qualification, order of business of Ward Committee meetings and stipend fees.

A policy was drafted and submitted to Council for approval. The Policy has now been drafted, and the criteria previously agreed upon have been incorporated into the approved policy.

The following criteria were agreed to:

➤ **Procedure to elect members (not more than 10) of the Ward Committees.**

It was finally agreed that all 7 wards would have 10 ward committee members, and that a stipend of R500 per ward committee member will be paid.

It was further agreed that Bitou Local Municipality would adopt the system as proposed by the Provincial Framework on the Proposed Guidelines for the Province and Municipalities for the implementation of Ward Funding Model, which proposes that " *elected people should represent a diversity of interests in the ward and be equally representative of women, youth, developmental organizations, civic or rate payers associations, business (big and small) faith based, sport and culture organizations, etc*", and that we should therefore create sectors in the Bitou Municipal Area, whereby representatives of such sectors would form the basis of each ward committee.

The following categories of sectors were identified:

Youth, women, religious/ faith based organisations, sport, arts and culture, health & welfare, business, environment, education, senior citizens, the fishing industry, community safety, community based organizations, ratepayers associations, agricultural organizations, informal trader associations, the disabled, Tourism, transport and geographical representation.

These sectors were invited to register on the municipal database. Representatives from the various sectors will be elected to serve on the ward committees as ward committee members in the various wards.

➤ **Frequency of meetings of ward committees.**

It was agreed that ward committees meet once every two months. Items for discussion will be ward based on matters raised by the various ward committee members. They will therefore no longer receive agendas for Mayoral Committee meetings for recommendation to the Mayoral Committee, but will still receive one agenda per ward, for information.

➤ Funding of Out-of-Pocket expenses for Ward Committee members:

It was agreed that each ward committee member will receive a monthly stipend of R500, to cover transport and telephone expenditure, conditional that they attend the standing ward committee meetings that will be held every 2nd month. With seven wards, the cost for Bitou Local Municipality will amount to R500 x 70 members, which will total R35,000 per month, totaling R420,000 per year. The stipend fee will be funded via the Municipal Systems Improvement Grant and Equitable Share Special Funding. Provision has been made on the 2012 / 2013 Annual Budget.

➤ Ward Committee Support

It was agreed that the PA's of the various HOD's will attend the meetings to supply the administrative and scribe functions. The Heads of Department and Managers will be deployed strategically at the various ward committees to provide answers to questions raised and to report back and account for the various projects and programmes.

The necessary advertisements were placed to invite Sectors to register on the municipal database, and to nominate representatives to be elected to serve on the respective ward committees.

2.5.2 FUNCTIONALITY OF WARD COMMITTEE

The purpose of a ward committee is:

- to get better participation from the community to inform council decisions;
- to make sure that there is more effective communication between the council and the community; and
- to assist the ward councilor with consultation and report-backs to the community.

Ward committees should be elected by the community they serve. A ward committee may not have more than 10 members and women should be well represented. The ward Councillor serves on the ward committee and act as the chairperson. Although ward committees have no formal powers, they advise the ward Councillor who makes specific submissions directly to the Council. These committees play a very important role in the development and annual revision of the integrated development plan of the area.

The Department of Western Cape Government, Public Participation will be assisting Bitou Local Municipality in the election and appointment of Ward Committee members at the onset of the new financial year.

Transport will be provided, where necessary, to ward committee members to attend Ward Committee meetings and functions where public participation, through the Ward Committee system is required.

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Venues have been established for the Ward meetings, and support personnel, through the Community Liaison Officers and Community Development Workers, as well as the PA's of the various Heads of Department will be put at their disposal. Food and beverages will be provided at the ward committee meetings.

2.5.3 REPRESENTATIVE FORUMS

A) LABOUR FORUM

The table below specifies the members of the Labour forum for the 2011/12 financial year:

Name of representative	Capacity	Meeting dates
Councillor EEPaulse	Councillor	30 October 2011 29 November 2011 8 December 2011 25 January 2012 12 March 2012 09 May 2012
Councillor A B van Rhyner	Councillor	
Councillor J W G Brümmer	Councillor (2011)	
Councillor N M De Waal	Councillor	
Mr. Thomas Nqolo	Director: Administration (2011)	
Mr. Monde Stratu	Head: Community Services	
Mrs. Phumla Ngqumshe	Head: Municipal Services & Infrastructure Development	
Mr. Ralph Links / Mr Duprè Lombard	Head: Strategic Services (2011)	
Mr. Deon Lott / Mr M G Giliomee / Mr A Bredenhan	Chief Financial Officer & Acting CFO's	
Mr C F B Mattheus / Ms AAGreyling	Head Corporate Services & Acting Head Corp. Services	
Miss Audrey Reed	SAMWU	
Mrs. Mary Vries	SAMWU	
Miss Lindi Nceba Nkentsha	SAMWU	
Miss Phumza Zantsi	SAMWU	
Mrs. Marlene Nel	SAMWU	
Mr Henry Toyis	IMATU	
Mr. Clifton Cortje	IMATU	

Table 19: Labour Forum

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B) IDP FORUM

Name of representative	Meeting dates
Sabrina Love Foundation	16 November 2011 27 February 2012
Plett Business Chamber	
Born in Africa	
Masizakhe	
Child Welfare	
Community Policing Forum	
The Natures Valley Trust	
Nature's Valley Ratepayers Ass	
Deployment Practice	
South Cape Land Committee	

Table 20: IDP Forum

2.6 CORPORATE GOVERNANCE

Corporate governance is the set of processes, practices, policies, laws and stakeholders affecting the way an institution is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the institution is governed.

2.6.1 ANTI-CORRUPTION AND ANTI-FRAUD

Section 83(c) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption and the Municipal Finance Management Act (MFMA), section 112(1) (m)(i) identify supply chain measures to be enforced to combat fraud and corruption, favoritism and unfair and irregular practices. Section 115(1) of the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimize the likelihood of corruption and fraud.

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A) DEVELOPED STRATEGIES

Name of strategy	Developed Yes/No	Date Adopted/Reviewed
Anti-corruption strategy	Yes	Reviewed in the 2010/11 financial year
Fraud prevention strategy	Yes	Adopted in April 2008

Table 21: Strategies

2.6.2 AUDIT COMMITTEE/S

Section 166(2) of the MFMA states that an audit committee is an independent advisory body which must - (a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, on matters relating to –

- internal financial control;
- risk management;
- performance Management; and
- effective Governance.

A) FUNCTIONS OF THE AUDIT COMMITTEE

The Council decided that the Audit Committee will also act as the Performance Committee.

The Audit Committee have the following main functions as prescribed in section 166 (2) (a-e) of the Municipal Finance Management Act, 2003 and the Local Government Municipal and Performance Management Regulation:

- To advise the Council on all matters related to compliance and effective governance.
- To review the annual financial statements to provide Council with an authoritative and credible view of the financial position of the municipality, its efficiency and its overall level of compliance with the MFMA, the annual DoRA and other applicable legislation.
- Respond to the council on any issues raised by the Auditor-General in the audit report.
- Carry out such investigations into the financial affairs of the municipality as council may request.
- To review the quarterly reports submitted to it by the internal audit.
- To evaluate audit reports pertaining to financial, administrative and technical systems.

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- To evaluate the compliance to existing policies and relevant legislation.
- To review the performance management system and make recommendations in this regard to Council.
- To assess whether the performance indicators are sufficient.
- To determine possible reasons for discrepancies between performance and targets.
- To identify major risks to which Council is exposed and determine the extent to which risks have been minimized.
- To review the annual report of the municipality.
- Investigating cases of fraud, misbehaviour and conflict of interest involving employees.
- Review the plans of the Internal Audit function and in so doing; ensure that the plan addresses the high-risk areas and ensure that adequate resources are available.
- Review audit results and action plans implemented by management.
- Provide support to the Internal Audit function.
- Ensure that no restrictions or limitations are placed on the Internal Audit section.

B) MEMBERS OF THE AUDIT COMMITTEE

Name of representative	Capacity	Meeting dates
Mr. Brian Molefe	Chairperson	26 August 2011 29 November 2011 02 March 2012 26 April 2012
Dr. De Vos	Member	
Mr. Van Rooyen	Member	
Ms. Zamuni	Member	
Ms. Williams	Member	

Table 22: Members of the Audit Committee

2.6.3 INTERNAL AUDITING

Section 165 (2) (a), (b)(iv) of the MFMA requires that:

The internal audit unit of a municipality must –

- (a) prepare a risk based audit plan and an internal audit program for each financial year; and

(b) advise the accounting officer and report to the audit committee on the implementation on the internal audit plan and matters relating to:

(i) internal audit;

(ii) internal controls;

(iii) accounting procedures and practices;

(iv) risk and risk management;

(v) performance management;

(vi) loss control; and

(vii) compliance with this Act, the annual Division of Revenue Act and anyother applicable legislation; and

(c) perform other duties as may be assigned to it by the accounting officer.

The Municipality has an In-house Internal Audit function consisting of two auditors.

Challenges within the Internal Audit department:

Challenge	Corrective Actions
Capacity. Number of personnel not sufficient to meet internal audit mandate as outlined in the act and the required internal audit standards by the Institute of Internal Auditors.	A proposal for capacitating the unit has been developed and presented to Management for consideration and adoption by council.
Software. Internal Audit Activity currently not taking advantage of the various audit software on the market and thus not receiving the benefits of increased efficiency.	Funds are required to be able to acquire the software.
Risk Management functions were also delegated to the understaffed internal audit unit without provision for additional personnel. The position of the Risk Manager was created but never filled.	A proposal has been made to provide budget for the filling of this critical position.

Table 23: Challenges: Internal Audit

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Annual Audit Plan

The Risk Based Audit Plan for 2011/12 was implemented **80%** with available resources. The table below provides detail on audits completed:

Description			No of days	Date completed
Phase 1				
Revisiting current risk profile and priorities			10	September 2011
Phase 2				
Compiling Risk Based Audit Plan			8	November 2011
Phase 3				
Audit Engagement	Departmental System	Detail	No of days	Date completed
Finance	Records	Management of mail receipts	10	April 2012
	Supply Chain management	Compliance to supply chain management processes	15	August 2011
Corporate Services	Rental Income	Completeness of rental income from Municipal Houses	10	July 2011
	Human Resource	Termination Process	15	January 2012
	Task Evaluation	First Report on Task Grading and calculations	20	July 2011
	Task Evaluation	Second Report on Task Grading and calculations	13	October 2011
Community services	Repairs to Erf. 6815 New Horizon	Investigation	16	July 2011
	Libraries	Cash Management	12	March 2012
Training CPD			34	In progress

Table 24: Internal Audit Coverage Plan

Below are the functions of the Internal Audit Unit that was performed during the financial year under review:

Function	Date/Number
Risk analysis completed/reviewed	September 2011
Risk based audit plan approved for 2011/12 financial year	November 2011
Internal audit programme drafted and approved	November 2011
Number of audits conducted and reported on	8
Audit reports included the following key focus areas:	

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Function	Date/Number
Internal controls	
Accounting procedures and practices	
Risk and risk management	
Performance management	
Loss control	
Compliance with the MFMA and other legislation	

Table 25: Internal Audit Functions

2.6.4 BY-LAWS AND POLICIES

Section 11 of the MSA gives municipal Councils the executive and legislative authority to pass and implement by-laws and policies.

Below is a list of all the by-laws developed and reviewed:

By-laws developed/revised	Date adopted	Public Participation Conducted Prior to adoption of By-Laws (Yes/No)	Date of Publication
Aerodromes	7 October 2009	Yes	20 October 2009
Air Pollution	7 October 2009	Yes	20 October 2009
Advertising Signs	7 October 2009	Yes	20 October 2009
Cemeteries & Crematoria	7 October 2009	Yes	20 October 2009
Customer Care & Revenue Management	7 October 2009	Yes	20 October 2009
Electricity Supply	7 October 2009	Yes	20 October 2009
Fencing & Fences	7 October 2009	Yes	20 October 2009
Nuisance and Keeping of Animals	7 October 2009	Yes	20 October 2009
Public Amenities	7 October 2009	Yes	20 October 2009
Roads & Streets bylaws	7 October 2009	Yes	20 October 2009
Sporting Facilities	7 October 2009	Yes	20 October 2009
Solid Waste Disposal and Refuse Removal	7 October 2009	Yes	20 October 2009
Street Trading	7 October 2009	Yes	20 October 2009
Storm Water Management	7 October 2009	Yes	20 October 2009
Tariffs	7 October 2009	Yes	20 October 2009

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By-laws developed/revised	Date adopted	Public Participation Conducted Prior to adoption of By-Laws (Yes/No)	Date of Publication
Water Services	7 October 2009	Yes	20 October 2009

Table 26: By-laws

Below is a list of all the policies developed and reviewed during the financial year:

Policies developed/ revised	Date adopted	Public Participation Conducted Prior to adoption of policy (Yes/No)	Council Resolution/Date
Ward Committee Policy	29 June 2012	No	Council Resolution C/3/35/06/12
Cellular Phone Policy	12 March 2012	No – Internal staff matter	Council resolution C3/31/03/12
Tourism Policy	29 June 2012	Yes	Council Resolution C/6/83/05/12
Electrical Safety Rules	Not applicable	The four procedures were workshopped	Not applicable
Isolation and lock system procedures for issuing of personal protective equipment works permit procedure	Not applicable	Workshopped with all staff within the electricity and water sections of the MSID department.	Not applicable

Table 27: Policies

2.6.5 COMMUNICATION

Local government has a legal obligation and a political responsibility to ensure regular and effective communication with the community. The Constitution of the Republic of South Africa Act 1996 and other statutory enactments all impose an obligation on local government communicators and require high levels of transparency, accountability, openness, participatory democracy and direct communication with the communities to improve the lives of all.

The communities, on the other hand, have a right and a responsibility to participate in local government affairs and decision-making and ample provision is made in the abovementioned legislation for them to exercise their right in this respect. Our democratic government is committed to the principle of **Batho Pele** and this, in simple terms, means that those we elect to represent us (councillors at the municipal level) and those who are employed to serve us (the municipal officials at municipal level) must always put people first in what they do.

Below is a communication checklist of the compliance to the communication requirements:

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Communication activities	Yes/No
Communication unit	No
Communication strategy	No
Communication Policy	No
Customer satisfaction surveys	No
Functional complaint management systems	Yes
Newsletters distributed at least quarterly	No

Table 28: Communication Activities

2.6.6 WEBSITES

A municipal website should be an integral part of a municipality's communication infrastructure and strategy. It serves as a tool for community participation, improves stakeholder involvement and facilitates stakeholder monitoring and evaluation of municipal performance. Section 75 of the MFMA requires that the municipalities place key documents and information on their website, including the IDP, the annual budget, adjustments budgets and budget related documents and policies.

Below is a website checklist to indicate the compliance to Section 75 of the MFMA:

Documents published on the Municipal website	Yes or No
Current annual and adjustments budgets and all budget-related documents	Yes
Budget implementation policy: Tariff policy	Yes
Budget implementation policy: Credit control policy	Yes
Budget implementation policy: Rates policy	Yes
Budget implementation policy: SCM policy	Yes
Annual report 2010/11	Yes
Performance agreements required in terms of section 57 (1) (b) of the Municipal Systems Act for 2011/12	No
All service delivery agreements for 2011/12	Yes
All long-term borrowing contracts for 2011/12	Yes
All supply chain management contracts above the prescribed value for 2011/12	Yes
Information statement containing a list of assets over a prescribed that have been disposed of in terms of section 14 (2) or (4) of the MFMA during 2011/12	Not applicable
Contracts agreed in 2011/12 to which subsection (1) of section 33 of the MFMA apply, subject to subsection (3) of that section	Not applicable
Public-private partnership agreements referred to in section 120 of the MFMA made in 2011/12	Not applicable
All quarterly reports tabled in the council in terms of section 52 (d) of the MFMA during 2011/12	Yes

Table 29: Website Checklist

Chapter 3

Organisational Development Performance



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CHAPTER 3: ORGANISATIONAL DEVELOPMENT PERFORMANCE

3.1 NATIONAL KEY PERFORMANCE INDICATORS – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area – Municipal Transformation and Organisational Development.

KPA & INDICATORS	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT
	2009/10	2010/11	2011/12
<u>Municipal Transformation and Organisational Development</u>			
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	24	24	20
The percentage of a municipality's budget actually spent on implementing its workplace skills plan	0.56	0.43	0.13

Table 30: National KPIs– Municipal Transformation and Organisational Development

3.2 PERFORMANCE HIGHLIGHTS – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

Highlight	Description
Organisational Design	The Organisational Design and Review which commenced in January 2012 and will be finalized by 31 August 2012
TASK	TASK was implemented in September 2011.

Table 31: Performance Highlights– Municipal Transformation and Organisational Development

3.3 CHALLENGES – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

Challenge	Actions to address
Re-evaluation of Job Descriptions and post levels on the T grading after TASK was implemented.	Organogram to be approved by council in order to address the employees concerns about the revaluation of their job descriptions

Table 32: Challenges – Municipal Transformation and Organisational Development

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3.4 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Bitou Municipality currently employs **488** (excluding non-permanent positions) officials, who individually and collectively contribute to the achievement of Municipality's objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and an administrative function.

3.4.1 EMPLOYMENT EQUITY

The Employment Equity Act (1998) Chapter 3, Section 15 (1) states that affirmative action measures are measures designed to ensure that suitable qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels in the workforce of a designated employer. The national performance indicator also refers to: "Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan"

A) EMPLOYMENT EQUITY TARGETS/ACTUAL

African			Coloured			Indian			White		
Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach
27	12	44%	32	8	25%	0	0	-	19	0	0%

Table 33: 2011/12 EE targets/Actual by racial classification

Male			Female			Disability		
Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach
23	9	34.3%	55	11	20%	4	0	0%

Table 34: 2011/12 EE targets/actual by gender classification

B) EMPLOYMENT EQUITY VS. POPULATION

Description	African	Coloured	Indian	White	Total
Population numbers	18 284	15 711	160	10 687	44 842
% Population	40.77	35.04	0.36	23.83	100
Number for positions filled	263	197	1	27	488
% for Positions filled	53.9	40.4	0.2	5.5	100.0

Table 35: EE population 2011/12

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C) OCCUPATIONAL CATEGORIES - RACE

Below is a table that indicate the number of employees by race within the specific occupational categories(including councillors):

Posts filled									
Occupational	Male				Female				Total
categories	A	C	I	W	A	C	I	W	
Legislators, senior officials and managers	18	8	0	7	3	5	0	2	43
Professionals	11	10	0	8	10	2	0	1	42
Technicians and associate professionals	12	19	1	2	0	0	0	2	36
Clerks	13	19	0	0	22	27	0	4	85
Service and sales workers	6	14	0	3	10	16	0	0	49
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	25	19	0	0	0	0	0	0	44
Elementary occupations	93	47	0	0	45	17	0	0	202
Total permanent	178	136	1	20	90	67	0	9	501
Non- permanent	22	14	0	0	13	5	0	1	55
Grand total	200	150	1	20	103	72	0	10	556

Table 36: Occupational Categories

D) OCCUPATIONAL LEVELS - RACE

The table below categories the number of employees by race within the occupational levels(excluding councillors):

Occupational	Male				Female				Total
Levels	A	C	I	W	A	C	I	W	
Top Management	1	1	0	2	1	0	0	0	5
Senior management	9	3	0	4	1	2	0	2	21
Professionally qualified and experienced specialists and mid- management	10	11	0	8	9	11	0	2	54
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	26	29	1	4	5	8	0	2	69
Semi-skilled and discretionary decision	34	41	0	0	28	27	0	3	137

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Occupational	Male				Female				Total
Levels	A	C	I	W	A	C	I	W	
making									
Unskilled and defined decision making	93	47	0	0	45	17	0	0	202
Total permanent	174	132	1	18	89	65	0	9	488
Non- permanent employees	22	14	0	0	13	5	0	1	55
Grand total	196	146	1	18	102	70	0	10	543

Table 37: Occupational Levels

E) DEPARTMENTS - RACE

The following table categories the number of employees by race within the different departments:

Department	Male				Female				Total
	A	C	I	W	A	C	I	W	
Municipal Manager	1	1	0	2	2	1	0	0	7
Corporate Services	11	5	0	1	4	7	0	2	30
Financial Services	7	11	0		16	10	0	4	48
Strategic Services	4	4	0	1	11	6	0	1	27
Community Services	76	49	0	6	43	38	0	2	214
Municipal Services and Infrastructure Development	68	60	1	8	5	0	0	0	142
Office of the Mayor	7	2	0	0	8	3	0	0	20
Total permanent	174	132	1	18	89	65	0	9	488
Non- permanent	22	14			13	5	0	1	55
Grand total	196	146	1	18	102	70	0	10	543

Table 38: Department - Race

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3.4.2 VACANCY RATE

The approved organogram for the municipality had **611** posts for the 2011/12 financial year. The actual positions filled are indicated in the tables below by post level and by functional level. **68** Posts were vacant at the end of 2011/12, resulting in a vacancy rate of **11.13%**.

Below is a table that indicates the vacancies within the municipality:

PER POST LEVEL		
Post level	Filled	Vacant
MM & MSA section 57 & 56	26	8
Middle management	35	6
Professionals	42	4
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	70	5
Unskilled and defined decision making	141	26
General Workers	229	19
Total	543	68
PER FUNCTIONAL LEVEL		
Functional area	Filled	Vacant
Office of the Municipal Manager	8	1
Mayor's Office	21	0
Corporate Services	33	6
Financial Services	49	3
Strategic Services	30	6
Community Services	241	29
Municipal Services and Infrastructure Development	161	23
Total	543	68

Table 39: Vacancy rate per post and functional level

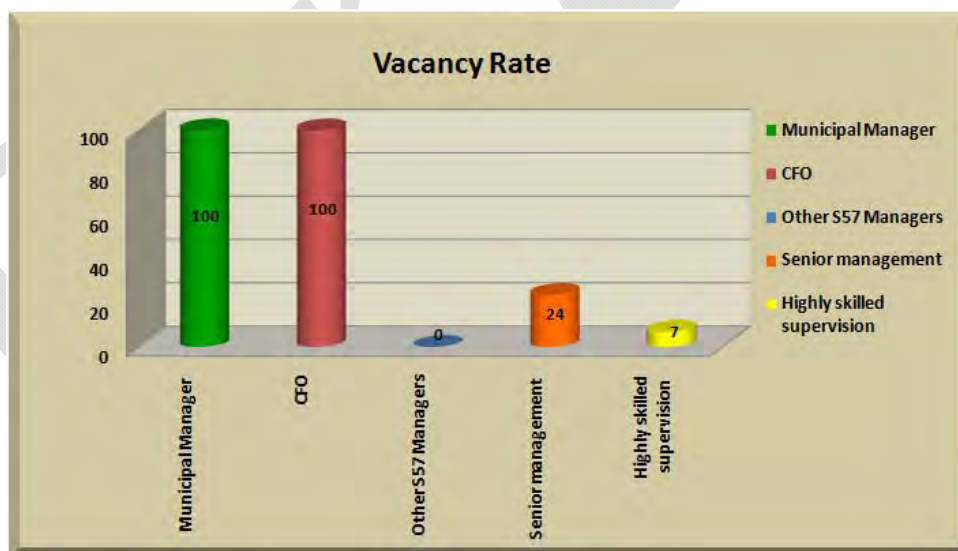
The table below indicates the number of staff per level expressed as total positions and current vacancies express as full time staff equivalents:

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Salary Level	Number of current critical vacancies	Number total posts as per organogram	Vacancy job title	Vacancies (as a proportion of total posts per category)
Municipal Manager	1	1	Municipal Manager	100
Chief Financial Officer	1	1	Chief Financial Officer	100
Other Section 57 Managers	0	0	-	0
Senior management	6	25	Manager: Human Resources; Manager: Expenditure; Manager Supply Chain; Manager Budget & Treasury; Manager Records & Customer Care	24
Highly skilled supervision	4	56	Supervisor: Motor Registration; Superintendent: Pump Stations; Electrical Loss Control Officer; Water Loss Control Officer	7
Total	13	83	-	15

Table 40: Vacancy rate per salary level

The following graph specifies the vacancy rate as a percentage per salary level



Graph 5: Vacancy rate

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A high turnover may be costly to a municipality and might negatively affect productivity, service delivery and institutional memory/organizational knowledge. Below is a table that shows the turnover rate within the municipality. The turnover rate shows a **decrease** from **4.1%** in 2010/11 to **3.6%** in 2011/12.

The table below indicates the turn-over rate over the last three years:

Financial year	Total no of filled posts at the end of each financial year	New appointments	No Terminations during the year	Turn-over Rate
2009/10	550	63	14	2.5
2010/11	486	33	20	4.1
2011/12	488	20	18	3.6

Table 41: Turnover Rate

3.5 MANAGING THE MUNICIPAL WORKFORCE

Managing the municipal workforce refers to analyzing and coordinating employee behavior.

3.5.1 INJURIES

An occupational injury is a personal injury, disease or death resulting from an occupational accident. Compensation claims for such occupational injuries are calculated according to the seriousness of the injury/disease and can be costly to a municipality. Occupational injury will influence the loss of man hours and therefore financial and productivity performance.

The injury rate shows a slight **increase** for the 2011/12 financial year from **16** employees injured against **21 employees** in the 2010/11 financial year.

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The table below indicates the total number of injuries within the different directorates:

Directorates	2009/10	2010/11	2011/12
Municipal manager's office	0	0	
Corporate Services	0	0	1
Financial Services	2	2	3
Strategic Services	0	0	0
Municipal Services and Infrastructure Development	7	6	5
Community Services	7	8	12
Executive Mayor's office	0	0	0
Total	16	16	21

Table 42: Injuries

3.5.2 SICK LEAVE

The number of day's sick leave taken by employees has service delivery and cost implications. The monitoring of sick leave identifies certain patterns or trends. Once these patterns are identified, corrective action can be taken.

The total number of employees that have taken sick leave during the 2011/12 financial year shows a decrease when comparing it with the 210/11 financial year.

The decrease was as a result of continuous monitoring and strict approval procedures for employees to produce medical certificates. With regard to service delivery, a number of personnel at Community Services – Cleansing Sections are the main contributor to take leave due to health and safety factors.

The table below indicates the total number sick leave days taken within the different directorates:

Department	2009/10	2010/11	2011/12
	Days		
Municipal Manager's office	157	128	58
Corporate Services	436	398	251
Financial Services	486	411	356
Strategic Services	212	157	98
Municipal Services and Infrastructure Development	752	696	528
Community Services	788	762	687
Executive Mayor's Office	168	116	98
Total	2999	2 668	2 076

Table 43: Sick Leave

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3.5.3 HR POLICIES AND PLANS

Policies and plans provide guidance for fair and consistent staff treatment and a consistent approach to the managing of staff.

The table below shows the HR policies and plans that are approved and that still needs to be developed:

Approved policies

Name of policy	Date approved/ revised
Recruitment & Selection Policy	26 March 2009
Employment Equity	26 March 2009
HIV/AIDS	26 March 2009
Sexual Harassment	26 March 2009
Substance Abuse	26 March 2009
Uniform Protective Clothing Policy	26 March 2009
Recruitment & Selection Policy	26 March 2009
Employment Equity	26 March 2009
HIV/AIDS	26 March 2009
Sexual Abuse	26 March 2009

Policies still to be developed

Name of policy	Proposed date of approval
Payroll Management & Administration Policy & Procedure	September 2012
Subsistence and Traveling Allowance Policy (Reviewed)	September 2012
Overtime Policy (Reviewed)	September 2012
Training & Skills Development Policy	November 2012
Employment Equity Plan/Policy	December 2012
Occupational Health and Safety Policy	December 2012
Recruitment & Selection Policy Amendment	December 2012
Incentive Policy	January 2013
Absenteeism and Ill Health Policy	January 2013

Table 44: HR policies and plans

Note: Due to a shortage of staff within the Human Resources Section and budget restrictions no HR policies were drafted and approved for the 2011/2012 financial and will were revised and drafted during the 2012/2013 financial year.

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3.5.4 EMPLOYEE PERFORMANCE REWARDS

In accordance with regulation 32, a performance bonus, based on affordability, maybe paid to an employee, after -

- (1) the annual report for the financial year under review has been tabled and adopted by the municipal council;
- (2) an evaluation of performance in accordance with the provisions of regulation 23; and
- (3) approval of such evaluation by the municipal council as a reward for outstanding performance.

The evaluation of the performance of Section 57 managers forms the basis for rewarding outstanding performance.

The table below shows the total number of S57 that received performance rewards:

Race	Gender	Number of beneficiaries	Total number of employees received performance rewards	% Employees received performance rewards
African	Female	3	0	0
	Male	8	0	0
Asian	Female	0	0	0
	Male	0	0	0
Coloured	Female	2	0	0
	Male	2	0	0
White	Female	1	0	0
	Male	3	0	0
Disability	Female	0	0	0
	Male	0	0	0
Total		19	0	0

Table 45: Performance Rewards

3.6 CAPACITATING THE MUNICIPAL WORKFORCE

Section 68(1) of the MSA states that municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way. For this purpose the human resource capacity of a municipality must comply with the Skills Development Act (SDA), 1998 (Act No. 81 of 1998), and the Skills Development Levies Act, 20 1999 (Act No. 28 of 1999).

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3.6.1 SKILLS MATRIX

The table below indicates the number of employees that received training in the year under review:

Management level	Gender	Number of employees identified for training at start of the year	Number of Employees that received training
MM and S57	Female	1	1
	Male	2	2
Legislators, senior officials and managers	Female	2	2
	Male	7	5
Associate professionals and Technicians	Female	0	
	Male	9	0
Professionals	Female	6	6
	Male	4	4
Clerks	Female	18	7
	Male	10	1
Service and sales workers	Female	14	0
	Male	16	0
Craft and related trade workers	Female	0	0
	Male	0	0
Plant and machine operators and assemblers	Female	0	0
	Male	17	13
Elementary occupations	Female	17	9
	Male	41	5
Sub total	Female	58	25
	Male	106	30
Total		164	55

Table 46: Skills Matrix

The reason for the total work force not being trained is due to the following:

- Due to the fact that the Municipality was facing a cash-flow problem, a moratorium was placed on training and only Learnerships, Skills Programmes and the CPMD training Courses was given priority

The following training was provided for employees trained:

- Skills programs and other short courses

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- Minimum competencies
- Water learner ships
- Admin and bookkeeping learner ship
- Telematic water learner ship
- Local Government Accounting certificate

3.6.2 SKILLS DEVELOPMENT – TRAINING PROVIDED

The Skills Development Act (1998) and the Municipal Systems Act, (2000), require employers to supply employees with the necessary training in order to develop its human resource capacity. Section 55(1)(f) states that as head of administration the Municipal Manager is responsible for the management, utilization and training of staff.

Occupational categories	Gender	Number of employees as at the end of the financial year	Training provided within the reporting period						
			Learnerships		Skills programmes & other short courses		Total		
			Actual	Target	Actual	Target	Actual	Required	% Variance
MM and S57	Female	1	0	0	1	1	1	1	0
	Male	2	0	0	2	2	2	2	0
Legislators, senior officials and managers	Female	2	0	0	2	2	2	2	0
	Male	7	0	0	5	7	5	7	-29
Professionals	Female	6	0	0	6	6	6	6	0
	Male	4	0	0	4	4	4	4	0
Technicians and associate professionals	Female		0	0	0	0	0	0	0
	Male	9	0	0	0	0	0	0	0
Clerks	Female	18	7	7	0	0	7	18	-61
	Male	10	1	1	0	0	1	10	-90
Service and sales workers	Female	14	0	0	0	14	0	14	-100
	Male	16	0	0	0	16	0	16	-100
Craft and related trade workers	Female	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0	0	0	0
	Male	17	13	13	0	4	13	17	-24
Elementary	Female	17	9	13	0	4	9	17	-47

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Occupational categories	Gender	Number of employees as at the end of the financial year	Training provided within the reporting period						
			Learnerships		Skills programmes & other short courses		Total		
			Actual	Target	Actual	Target	Actual	Required	% Variance
occupations	Male	41	5	10	0	31	5	36	-86
Sub total	Female	164	35	44	20	91	55	150	-67
	Male	58	16	20	9	27	25	58	-57
Total		164	35	44	20	91	55	150	-63

Table 47: Skills Development

3.6.3 SKILLS DEVELOPMENT - BUDGET ALLOCATION

The table below indicates that a total amount of **R700 000** was allocated to the workplace skills plan and that **19%** of the total amount was spent in the 2011/12 financial year:

Total personnel budget	Total Allocated	Total Spend	% Spend
R 100 821 794	R 700 000	R 133 021	19%

Table 48: Budget allocated and spent for skills development

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3.7 MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

Section 66 of the MSA states that the accounting officer of a municipality must report to the Council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits. This is in line with the requirements of the Public Service Regulations, (2002), as well as National Treasury Budget and Reporting Regulations SA22 and SA23.

3.7.1 PERSONNEL EXPENDITURE

The percentage personnel expenditure is essential in the budgeting process as it reflects on current and future efficiency. The table below indicates the percentage of the municipal budget that was spent on salaries and allowance for the past three financial years and that the municipality is well within the national norm of between 35 to 40%:

Financial year	Total Expenditure salary and allowances (R'000)	Total Operating Expenditure (R'000)	Percentage (%)
2009/10	89 656	271 432	33.0
2010/11	102 158	303 707	33.6
2011/12	96 033	306 719	31.3

Table 49: Personnel Expenditure

Below is a summary of Councilor and staff benefits for the year under review:

Financial year	2009/10	2010/11	2011/12		
Description	Actual	Actual	Original Budget	Adjusted Budget	Actual
R					
<u>Councillors (Political Office Bearers plus Other)</u>					
Salary	1 867 287	1 813 753	2 141 624	2 417 038	2 417 811
Pension Contributions	120 987	217 937	243 730	102 990	107 166
Medical Aid Contributions	147 583	113 825	113 553	103 680	130 022
Motor vehicle allowance	554 829	553 174	371 512	890 140	956 822
Cell phone allowance	160 224	151 693	204 192	210 860	121 512
Housing allowance	-	127 700	445 013	-	2 000
Other benefits or allowances	141 564	-	-	-	-
In-kind benefits	-	14 741	-	-	-
Sub Total	2 992 474	2 992 823	3 519 624	3 724 708	3 735 333

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Financial year	2009/10	2010/11	2011/12		
Description	Actual	Actual	Original Budget	Adjusted Budget	Actual
	R				
% increase	7.78	0.01	18	5.8	24.8
Senior Managers of the Municipality					
Basic Salaries and Wages	4 438 301	4 617 638	4 917 779	5 216 780	4 981 681
Motor vehicle allowance	1 054 655	973 024	973 024	1 032 184	966 257
Cell phone allowance	108 000	108 000	372 212	378 783	3 750
Performance Bonus	475 844	569 573	631 774	670 186	0
Contributions to UIF, Medical and Pension Fund	202 778	344 287	-	-	329 726
In-kind benefits	-	-	-	-	4 062
Sub Total	6 279 578	6 612 522	6 894 789	7 297 933	6 285 476
% increase	47	5.3	4.2	5.8	-4.9
Other Municipal Staff					
Basic Salaries and Wages	45 734 826	54 694 425	60 234 848	52 951 350	53 755 400
Contributions to UIF, Medical and Pension	15 711 314	16 345 271	19 801 143	16 884 610	16 957 614
Motor vehicle allowance	4 722 375	5 584 843	4 685 273	4 581 516	5 207 607
Housing allowance	603 796	617 532	584 995	719 200	717 150
Overtime	4 207 101	4 030 644	3 265 000	2 889 000	3 241 689
Performance Bonus	3 452 030	4 494 074	5 223 523	4 665 104	3 804 701
Other benefits or allowances	9 032 974	9 778 885	2 676 536	6 049 030	10 852 157
Sub Total	83 464 416	95 545 674	96 471 318	88 739 810	94 536 318
Total Municipality	92 736 468	105 151 019	106 885 731	99 762 451	104 557 127
% increase/ (decrease)	20.33	13.4	1.65	-6.66	-.56

Table 50: Personnel Expenditure

Chapter 4 *Strategic Performance*



CHAPTER 4: STRATEGIC PERFORMANCE

This chapter will provide information on the strategic performance of the municipality and will indicate how well the municipality is meeting its objectives and which policies and processes are working. All government institutions must report on strategic performance to ensure that service delivery is efficient, effective and economical. Municipalities must develop strategic plans and allocate resources for the implementation. The implementation must be monitored on an ongoing basis and the results must be reported on during the financial year to various role-players to enable them to timeously implement corrective measures where required.

This chapter speaks to the strategic performance highlights in terms of the Municipality's IDP, performance on basic service delivery and backlogs addressed the MIG projects as well as the spending priorities for the following year. It addresses the communication and public participation processes of the Municipality to give a holistic view of how the Municipality communicates performance to its stakeholders.

The Strategy map below specifies the strategic link of the focus areas of the Bitou municipality aligned with the National Key Performance Areas. The National Key Performance Areas is aligned with the Strategic Objectives that were identified in the 2011/12 reviewed IDP. The strategic objectives are linked to the outcomes for 2011/12. These alignments are directly linked to the Bitou municipality's vision and mission.

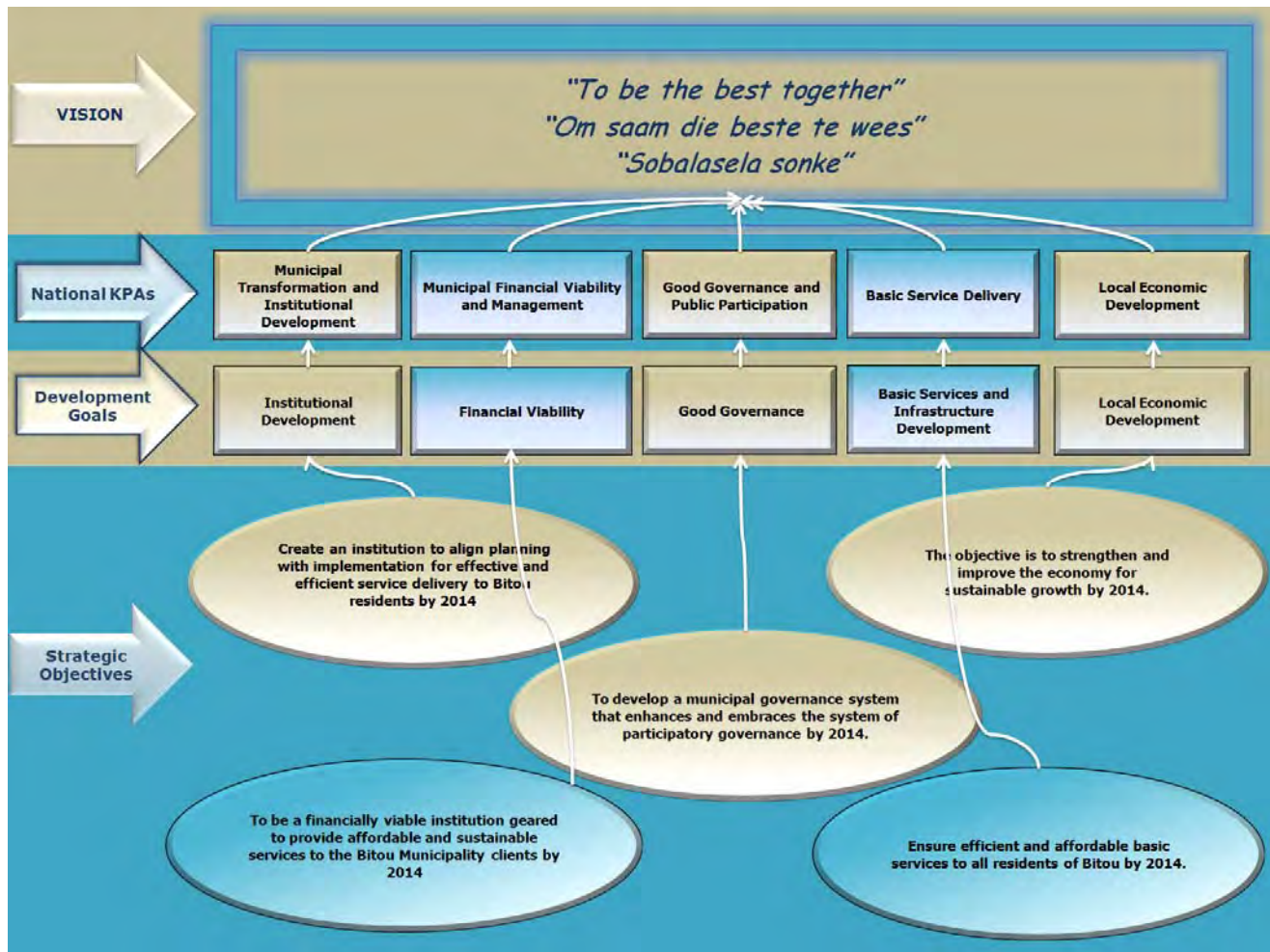


Figure 2: Strategy Map

The Municipal Systems Act, 2000 (Act 32 of 2000) and the Local Government: Municipal Planning and the Performance Management Regulations 2001 require municipalities to adopt a performance management system. Once the IDP and budget have been prepared and approved, the Municipality prepared their Service Delivery and Budget Implementation Plan (SDBIP) in accordance with the MFMA and MFMA Circular 13. The SDBIP indicates monthly performance targets, financial performance targets and assigns responsibility to execute the respective performance targets. The Municipality assessed its performance on a monthly basis and reported progress on performance against targets set to Council quarterly and ultimately presents the annual performance results in this annual report.

Through our supply chain management process the municipality embarked on a tender process for the Performance Management System in March 2010. As per contract SCM/SS22/2010 a service provider was appointed in July 2010 to assist the municipality in the development and implementation of an electronic performance management system (PMS) with the focus on the following:

- Provide necessary advice regarding performance management policy assessment, gap identification and recommendations of policy review areas for improved performance monitoring.
- Provide the necessary workshops on those areas of improvement on the adopted policy for purpose of buy-in and ultimate adoption of proposed amendments.
- Assist Bitou to develop a web-based performance management system applicable to all staff of the municipality.
- In-house training on the PMS software to all managers to manage performance and run the necessary reports. The software must fully integrate with existing software.
- Implement the PMS on all levels in a phased approach.
- Development of Performance Agreements and Personal Development Plans for s57 managers.
- Hands-on support for a two-year period where required.
- The PMS must comply with legislative requirements.
- Facilitating the compilation of Performance Highlights and Annual report.

The municipality is still experiencing challenges in the development and implementation of an electronic PMS system due to the following:

- A lack of dedicated capacity in the performance management function.
- A lack of internal auditing controls and assessments.

Monthly reporting

Our electronic Service Delivery and Budget Implementation Plan (SDBIP) currently have 44 registered users who are responsible for reporting on their progress on a monthly basis against key performance areas as set out in their performance contracts.

Quarterly reporting Council and audit committee

During the year under review quarterly reports were submitted to Council and the Audit Committee as a view of the ongoing performance of each department. It also functioned as a tool to measure and monitor performance progress against set targets.

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4.1 NATIONAL KEY PERFORMANCE INDICATORS – BASIC SERVICE DELIVERY AND LOCAL ECONOMIC DEVELOPMENT

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the following two National Key Performance Areas: Basic Service Delivery and Local Economic Development.

KPA & INDICATORS	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT
	2009/10	2010/11	2011/12
Basic Service Delivery			
The percentage of households earning less than R 1 100 per month with access to free basic services	100	100	100
The percentage of households with access to basic level of water	100	100	100
The percentage of households with access to basic level of sanitation	99.78	100	100
The percentage of households with access to basic level of electricity	94.99	100	96
The percentage of households with access to basic level of solid waste removal	99.50	99.85	100
Local economic development			
The number of jobs created through municipality's local economic development initiatives including capital projects	800	271	382

Table 51: National KPIs – Basic Service Delivery and Local Economic Development

4.2 BASIC SERVICES DELIVERY PERFORMANCE HIGHLIGHTS

Highlight	Description
Second in Western Cape Blue Drop scores	<p>Blue Drop Provincial Performance – Western Cape- Top 3</p> <p>Municipal Performance based on Blue Drop scores for water supply systems the Water Services</p> <p>The small municipality of Bitou continues to impress with an impressive second place in the Western Cape. This municipality remains national leader in the class of smaller municipalities and must surely be used as a case study to inspire others to reach the same heights in terms of Blue Drop performance. What is more remarkable of Bitou is the ability to have sustained this impressive performance since the inception of this regulatory programme.</p>
Blue Drop for all 3 Water Purification Works Plettenberg Bay : Platinum Award	<p>Regulatory Impression</p> <p>Bitou Local Municipality once again sets the benchmark for many smaller municipalities with regards to effective drinking water quality management. The highly passionate and committed officials are</p>

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Highlight	Description
<p>Kurland: Platinum Award</p> <p>Natures Valley: Gold Award</p>	<p>commended for their remarkable efforts to maintain excellence in their daily operations and therefore deserve the recognition through this certification. In spite of the accolades of the previous audit further improvements were recorded for this reporting cycle. The municipality can proudly hoist the Blue Drop flag in all three of their water supply systems which are a rare feat for a municipality of its size and capacity.</p> <p>A 100% score was a definite possibility if it were not found that the chemical monitoring records reflected a limited number of determinants being tested as part of the continuous monitoring programme. This is required to be aligned to the risk assessment's full SANS 241 assessment.</p> <p>Nevertheless, it is repeated this year again, that the Department has complete confidence in the manner drinking water quality is being managed by this municipality. Bitou surely deserve the prestigious certification for all three systems.</p>
<p>Green Drop and Wilson Award</p>	<p>Bitou has a W2RAP in place which has been developed in-house, signed off by the Head of Engineering and the Municipal Manager on 22/2/2012. Of interest is that the plan is structured with focus on assist the Process Controllers to mitigate the key risks associated in their day to day running of the sanitation system. The Plan comprises of the legislative framework, risk management, and focus on pump stations. The plan shows that the staff has a pragmatic handle on risk and knows exactly how to use it to better the business. The insert of the PAT information and USE thereof of commendable and set a benchmark for the industry.</p> <p>Regulation Impression</p> <p>Bitou continues to impress. The risk ratings for both WWTWs remain low due to the excellent final effluent compliance, the availability of the requisite O&M staff and the operating flow well within the design capacity for each WWTW. The development and implementation of the W2RAP will ensure sustainable excellence in performance of the plants and the expectation of improved GS compliance. The Regulator is of the opinion that Bitou presents some of the best run and managed plants and networks in South Africa and is clearly intent to maintain this status through continuous involvement in the schools, community, and environment. The Council's involvement and commitment to the administrative and technical staff is appreciated and serves as trigger for continuous improvement.</p>
<p>Spending 100% of MIG funding</p>	<p>This achievement was reported on in January, which makes the second municipality to achieve 100% spending in the Western Cape.</p>
<p>Road Reseal Programme</p>	<p>Resealed the following roads: Portion of Angola, Portion of Sishuba</p>

Table 52: Performance highlights per functional area

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4.3 STRATEGIC SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN (TOP LAYER)

The purpose of strategic performance reporting is to report specifically on the implementation and achievement of IDP outcomes. This section should provide an overview on the strategic achievement of a municipality in terms of the strategic intent and deliverables achieved as stated in the IDP. The top layer SDBIP is the municipality's strategic scorecard and shows the strategic alignment between the different documents. (IDP, Budget and Performance Agreements)

In the paragraphs below the performance achieved is illustrated against the top layer SDBIP according to the 5 National Key Performance Areas linked to the Municipal Key Performance Areas and IDP (strategic) Objectives.

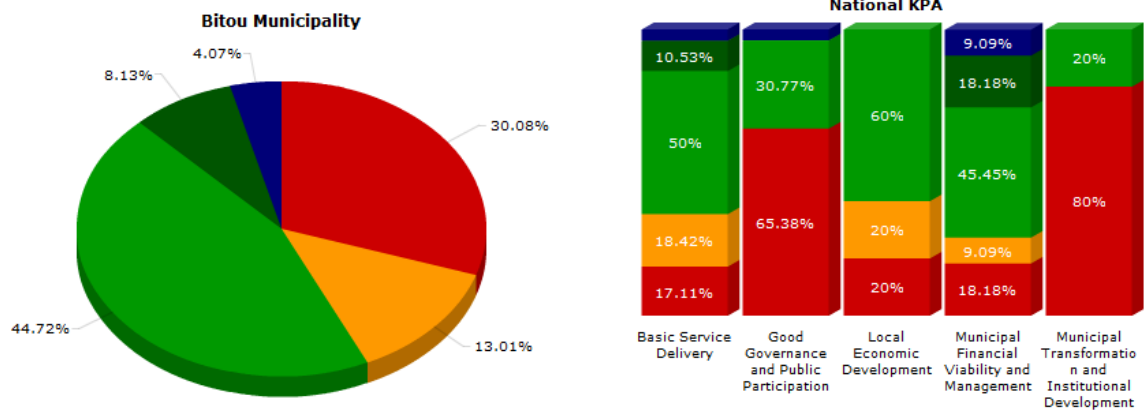
The following figure illustrates the method in which the strategic service delivery budget implementation plan is measured:

Category	Color	Explanation
KPI's Not Yet Measured		KPIs with no targets or actuals in the selected period.
KPI's Not Met		0% \geq Actual/Target < 75%
KPI's Almost Met		75% \geq Actual/Target < 100%
KPI's Met		Actual/Target = 100%
KPI's Well Met		100% > Actual/Target < 150%
KPI's Extremely Well Met		Actual/Target \geq 150%

Figure 3: SDBIP Measurement Categories

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The graph below displays the performance per National Key Performance Areas:



	Bitou Municipality	National KPA				
		Basic Service Delivery	Good Governance and Public Participation	Local Economic Development	Municipal Financial Viability and Management	Municipal Transformation and Institutional Development
KPI Not Met	37 (30.1%)	13 (17.1%)	17 (65.4%)	1 (20%)	2 (18.2%)	4 (80%)
KPI Almost Met	16 (13%)	14 (18.4%)	-	1 (20%)	1 (9.1%)	-
KPI Met	55 (44.7%)	38 (50%)	8 (30.8%)	3 (60%)	5 (45.5%)	1 (20%)
KPI Well Met	10 (8.1%)	8 (10.5%)	-	-	2 (18.2%)	-
KPI Extremely Well Met	5 (4.1%)	3 (3.9%)	1 (3.8%)	-	1 (9.1%)	-
Total:	123	76	26	5	11	5

Graph 6: Performance per National Key Performance Area

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Below is the top level SDBIP according to the 5 National Key Performance Areas linked to the Municipal Key Performance Areas and IDP (strategic) objectives.

4.3.1 TOP LAYER SDBIP - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

The National Key Performance Area Good Governance and Public Participation are linked to the Municipal Key Performance Area namely *Good Governance*. The IDP Objective that is linked to Good Governance and Public Participation is: *"To develop a municipal governance system that enhances and embraces the system of participatory governance by 2014."*

Ref	KPI	Unit of Measurement	Wards	Previous Year Performance 2010/11	Performance of 2011/12							Corrective Measures for targets not achieved	
					Targets					Actual			
					Q1	Q2	Q3	Q4	Annual				
TL36	Effective functioning of council measured in terms of the number of council meetings per annum	No of council meetings per annum	All	4	1	1	1	1	4	4	G	n/a	
TL50	Effective functioning of ward committees to ensure consistent and regular communication with residents	No of ward committee meetings per ward per annum	All		1	1	1	1	4	0	R	will be established in the 1st quarter of the 12/13 financial year	
TL35	Integrated development planning measured by the alignment of the municipal spending with IDP	The percentage of a municipality's capital budget spent on capital projects identified in the IDP	All	100%	0%	0%	0%	100%	100%	70%	R	Alignment of budget IDP projects and plans essential for next financial year	
TL29	The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	Number of people employed	All	0	0	0	0	7	7	0	R	Busy with organisational redesign and organogram not approved by council as well as budget restrictions due to cash flow problems	
TL54	No of Section 57 performance agreements signed by the end of July	No of performance agreements signed	All	5	5	0	0	0	5	0	R	will be signed in December 2012	
TL52	Customer care survey conducted by the end of December to determine service delivery satisfaction	Percentage completion of the survey by the end of December	All	New KPI	0%	100%	0%	0%	100%	0%	R	Allocate responsibility and budget to a department for next financial year	

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Ref	KPI	Unit of Measurement	Wards	Previous Year Performance 2010/11	Performance of 2011/12						Corrective Measures for targets not achieved	
					Targets					Actual		
					Q1	Q2	Q3	Q4	Annual			
TL53	Develop an action plan by the end of June 2012 to address the matters identified in the customer care survey	Completion of the action plan by the end of June 2012	All	New KPI	0%	0%	0%	100%	100%	0%	R	Allocate responsibility and budget to a department for next financial year
TL49	Develop communication strategy approved by end September 2012	Strategy approved by end September 2012	All	New KPI	1	0	0	0	1	0	R	Will be drafted in the 2012/13 financial year
TL59	Effective and up to date By-laws	No of By-laws revised annually	All	80%	0	0	0	17	17	0	R	Province is busy to review the municipalities by-laws
TL40	The municipality comply with all the relevant legislation	0 findings in the audit report on non-compliance with laws and regulations	All	100%	0	0	0	0	0	40	R	All responsible municipal staff to be trained and managers held accountable for non-compliance.
TL57	Functional performance audit committee measured by the number of meetings per annum	No of meetings held	All	4	0	1	0	1	2	4	B	n/a
TL38	The adjustment budget is approved by Council by the legislative deadline	Approval of Adjustments Budget before the end of February 2012	All	100%	0%	0%	100%	0%	100%	100%	G	n/a
TL37	The main budget is approved by Council by the legislative deadline	Approval of Main Budget before the end of May 2012	All	100%	0%	0%	0%	100%	100%	100%	G	n/a
TL39	The Top Layer SDBIP is approved by the Mayor within 28 days after the Main Budget has been approved	Top Layer SDBIP approved within 28 days after the Main Budget has been approved	All	100%	0%	0%	0%	100%	100%	0%	R	will be drafted in November 2012
TL51	Develop an anti-corruption policy to ensure good governance	Reviewed anti-corruption policy approved by end June	All	New KPI	0%	0%	0%	100%	100%	0%	R	Allocate responsibility and budget to a department for next financial year

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Ref	KPI	Unit of Measurement	Wards	Previous Year Performance 2010/11	Performance of 2011/12						Corrective Measures for targets not achieved	
					Targets					Actual		
					Q1	Q2	Q3	Q4	Annual			
TL48	Public participation on the IDP process to adhere to the requirements of the Municipal Systems Act	No of public participation sessions per ward to ensure input of the community on the IDP	All	New KPI	0	1	0	1	2	2	G	n/a
TL58	Risk based audit plan approved by the end of September	Plan approved	All	100%	1	0	0	0	1	1	G	n/a
TL56	Annual report and oversight report of council submitted before the end of March 2012	Report submitted to Council	All	100%	0%	0%	100%	0%	100%	100%	G	n/a
TL55	Institutional Performance management system in place and implemented up to first level of reporting	No of agreements signed	All	5	5	0	0	0	5	0	R	PMS to be developed in new financial year
TL47	The IDP is comprehensive and include all community inputs	No of ward based development plans completed	All	7	0	0	0	7	7	7	G	Align IDP and budget in new financial year
TL46	The municipality listens and talks back to its people by ensuring that the IDP is endorsed by all wards	No of ward committees endorsing the IDP	All	7	0	0	0	7	7	0	R	Ward committees not yet established - will be assessed again in Q1 2013
TL45	The municipality listens and talks back to its people by ensuring that the IDP is endorsed by community organisations and stakeholders as local social compacts	IDP Forum approval of the IDP	0	0	0%	0%	0%	100%	100%	0%	R	Consultation sessions occur, but projects not implemented, i.e. communities not satisfied, due to lack of capital
TL41	Spatial development plan aligned with PSDF and PGDS	% alignment	All	0%	0%	0%	0%	100%	100%	0%	R	SDF to be completed in new financial year
TL43	Development of the 3rd generation IDP and approved by the end of May	IDP approved by the end of May 2012	All	100%	0%	0%	0%	100%	100%	100%	G	n/a
TL44	The IDP is comprehensive and	No of required sectoral plans included in the	All	6	0	0	0	6	6	1		More sectoral plans will be included in new

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Ref	KPI	Unit of Measurement	Wards	Previous Year Performance 2010/11	Performance of 2011/12						Corrective Measures for targets not achieved	
					Targets					Actual		
					Q1	Q2	Q3	Q4	Annual			
	complies with the requirements of the Systems Act	IDP									R	financial year and application will be made for financial support to achieve 100% compliance
TL42	Spatial Development Framework reviewed and submitted to PGWC by the end of December 2011	Reviewed and submitted to PGWC by the end of December	All	0%	0%	100%	0%	0%	100%	50%	R	In progress - prepared by PG:WC. SDF process on-going with completion in visage by June 2013

Table 53: Top Layer SDBIP – Good Governance and Public Participation

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4.3.2 TOP LAYER SDBIP - MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

The National Key Performance Area Municipal Transformation and Institutional Development are linked to the Municipal Key Performance Area namely *Institutional Development*. The IDP Objective that is linked to Municipal Transformation and Institutional Development is: *"Create an institution to align planning with implementation for effective and efficient service delivery to Bitou residents by 2014"*.

Ref	KPI	Unit of Measurement	Wards	Previous Year Performance 2010/11	Performance of 2011/12							Corrective Measures for targets not achieved
					Targets					Actual		
					Q1	Q2	Q3	Q4	Annual			
TL30	Targeted skills development measured by the implementation of the workplace skills plan	R-value of budget spent	All	0	R 0	R 0	R 0	R 1,000,000	R 1,000,000	R 126,018	R	Due to budget restrictions a monitoruim was placed on training and only leanerships and the CPMD programme were given priority
TL61	Effective labour relations by facilitating regular LLF meetings per annum	No of meetings of the LLF per annum	All	100%	1	1	1	1	4	4	G	n/a
TL62	Revise identified HR policies by the end of June to ensure compliant and up to date HR policies	No of policies revised	All	No projects for 2010/11	0	0	0	8	8	0	R	Due to a shortage of staff within the Human Resources Section and budget restrictions no HR policies were drafted and approved for the 2011/2012 financial and will were revised and drafted during the 2012/2013 financial year.
TL63	Implementation of skills development plan with targeted skills development	No of personnel actually trained/ No of personnel identified for training (%)	All	100%	0%	0%	0%	100%	100%	45%	R	Due to budget restrictions only employees that were enrolled for learnerships and the employees that are busy with the CPMD programme were given priority to attend the said training.
TL60	Creation of an effective institution with sustainable capacity	% Vacancy level as % of approved organogram (National norm between 10-15%)	All	90%	0%	0%	0%	10%	10%	11%	R	Organogram in process of being revised

Table 54: Top Layer SDBIP – Municipal Transformation and Institutional Development

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4.3.3 TOP LAYER SDBIP - MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

The National Key Performance Area Municipal Financial Viability and Management are linked to the Municipal Key Performance Area namely *Financial Viability*. The IDP Objective that is linked to Municipal Financial Viability is: *"To be a financially viable institution geared to provide affordable and sustainable services to the Bitou Municipality clients by 2014."*

Ref	KPI	Unit of Measurement	Wards	Previous Year Performance 2010/11	Performance of 2011/12							Corrective Measures for targets not achieved
					Targets					Actual		
					Q1	Q2	Q3	Q4	Annual			
TL34	Financial viability measured in terms of the available cash to cover fixed operating expenditure	Cost coverage ((Available cash+ investments)/ Monthly fixed operating expenditure	All	73%	0	0	0	1	1	1.27	G 2	n/a
TL32	Financial viability measured in terms of the municipality's ability to meet its service debt obligations	Debt coverage ((Total operating revenue- operating grants received)/debt service payments due within the year)	All	877%	0	0	0	28	28	4.98	R	The target set was erroneously determined, the actual achievement is more in line with the norm
TL33	Financial viability measured in terms of the outstanding service debtors	Service debtors to revenue – (Total outstanding service debtors/ revenue received for services)	All	18%	0%	0%	0%	27%	27%	19.50%	B	n/a
TL69	Updated indigent register for the provision of free basic services	Updated indigent register by end September annually	All	2	100%	0%	0%	0%	100%	100%	G	n/a
TL70	Action plan completed to ensure that the root causes of issues raised by AG in AG report of the previous financial year are addressed to promote a clean audit	Number of plans completed	All	100%	0	0	0	1	1	0	R	Due to a lack in capacity a plan was not drafted, a proper structured plan will be drawn up to address the 2011/2012 AG issues raised
TL67	Compliance with GRAP 16, 17 & 102 to ensure effective asset management	0 findings in the audit report on non-compliance	All	New kpi	0	0	0	0	0	0	G	n/a
TL74	Compliance with the SCM Act measured by the limitation of successful appeals against	0 successful appeals	All	New kpi	0	0	0	0	0	0	G	n/a

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Ref	KPI	Unit of Measurement	Wards	Previous Year Performance 2010/11	Performance of 2011/12						Corrective Measures for targets not achieved	
					Targets					Actual		
					Q1	Q2	Q3	Q4	Annual			
	the municipality											
TL68	Improved revenue collection	% Debt recovery rate	All	New kpi	0%	0%	0%	93%	93%	93.10%	G 2	n/a
TL72	Improvement in capital conditional grant spending measured by the % spent	% of the grant spent	All	100%	25%	50%	75%	100%	100%	100%	G	n/a
TL73	Improvement in operational conditional grant spending measured by the % spent	% of the grant spent	All	New kpi	25%	50%	75%	100%	100%	76%	O	n/a
TL71	Prepare and submit the annual financial statements to the Auditor General by 31 August 2011	Approved financial statements submitted	All	New kpi	100%	0%	0%	0%	100%	100%	G	n/a

Table 55: Top Layer SDBIP – Municipal Financial Viability and Management

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4.3.4 TOP LAYER SDBIP - LOCAL ECONOMIC DEVELOPMENT

The National Key Performance Area Local Economic Development is linked to the Municipal Key Performance Area namely *Local Economic Development* and *Human Development*. The IDP Objective that is linked to Local Economic Development is: "To strengthen and improve the economy for sustainable growth by 2014."

Ref	KPI	Unit of Measurement	Wards	Previous Year Performance 2010/11	Performance of 2011/12							Corrective Measures for targets not achieved
					Targets					Actual		
					Q1	Q2	Q3	Q4	Annual			
TL124	Development of a tourism strategy to create a basis for economic development end March	Approved tourism strategy by March 2011	All	New KPI	0	0	1	0	1	1	G	n/a
TL31	The number of jobs created through municipality's local economic development initiatives including capital projects	Number of jobs created through EPWP projects	All	271	0	0	0	500	500	382	O	Lack of capital funding did not allow for 100% achievement. Change tender and quote request policy to create opportunities for SMME's
TL65	Development of the LED strategy implementation plan by end December	By end December	All	New kpi	0	1	0	0	1	1	G	n/a
TL64	Local Economic Development is driven by a strategy by end September	Reviewed LED strategy approved by end September	All	Reviewed in 10/11 up to level 2	1	0	0	0	1	1	G	n/a
TL66	To assign a percentage of the total allocated operational budget to SMME's to enhance economic development	Value of contracts assigned to SMME's	All	New plan	R 0	R 0	R 0	R 2,500,000	R 2,500,000	R 0	R	Must be addressed in the revised SCM policy to give effect to the SMME development

Table 56: Top Layer SDBIP – Local Economic Development

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4.3.5 TOP LAYER SDBIP - BASIC SERVICE DELIVERY

The National Key Performance Area Basic Service Delivery is linked to the Municipal Key Performance Area namely *Basic Services and Infrastructure Development*. The IDP Objective that is linked to Basic Service Delivery is: "Ensure efficient and affordable basic services to all residents of Bitou by 2014."

Ref	KPI	Unit of Measurement	Wards	Previous Year Performance 2010/11	Performance of 2011/12							Corrective Measures for targets not achieved
					Targets					Actual		
					Q1	Q2	Q3	Q4	Annual			
TL24	Provision of refuse removal, refuse dumps and solid waste disposal to all formal areas	No of formal Households for which refuse is removed at least once a week	All	90%	0	0	0	9,966	9,966	9,966	G	n/a
TL25	Provision of refuse removal, refuse dumps and solid waste disposal to all informal areas	No of informal Households for which refuse is removed at least once a week	All	90%	0	0	0	145	145	145	G	n/a
TL4	Building of the New Horizons Library - Construction of the Central Library including an e-library for the greater Plettenberg Bay.	% Established by end June	4	New KPI	0%	0%	0%	100%	100%	100%	G	n/a
TL79	Cemeteries maintained measured by the % of the maintenance budget spent	% of budget spent	All	95%	20%	40%	60%	100%	100%	94%	O	n/a
TL75	Develop a maintenance schedule for recreational areas to ensure that recreational areas are maintained	Develop schedule by end September 2012	All	100%	100%	0%	0%	0%	100%	100%	G	n/a
TL78	Develop maintenance schedule for cemeteries to ensure that cemeteries are maintained	Plan developed or revised by end September 2012	All	100%	100%	0%	0%	0%	100%	100%	G	n/a
TL80	Identification for additional land for cemeteries through a land audit by end June	Land audit by end June	All	New KPI	0%	0%	0%	100%	100%	100%	G	n/a
TL76	Recreational areas is maintained measured by the % of the maintenance budget spent	% of budget spent	All	95%	20%	40%	60%	100%	100%	95%	O	n/a

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Ref	KPI	Unit of Measurement	Wards	Previous Year Performance 2010/11	Performance of 2011/12							Corrective Measures for targets not achieved
					Targets					Actual		
					Q1	Q2	Q3	Q4	Annual			
TL3	Housing Project - EHP Programme and building of new houses and basic services (Council's contribution)	% of budget spent	All	100%	0%	0%	0%	100%	100%	100%	G	n/a
TL86	All existing informal settlements is formalised and have access to basic services	% of informal settlements that meet the standards	All	100%	0%	0%	0%	70%	70%	100%	G 2	n/a
TL84	Implementation of Integrated Human Settlement Strategy measured by the number of houses completed by the end of June 2012	Number of houses completed	All	Done by end August	0	0	0	145	145	262	B	n/a
TL85	Review the municipal housing policy	Submit the reviewed housing policy by December 2011	All	40%	0	1	0	0	1	1	G	n/a
TL87	Disaster Management Plan reviewed by the end of December	Plan reviewed by the end of December 2012	All	Plan was developed by 2010/11	0%	100%	0%	0%	100%	100%	G	n/a
TL88	Draft Law Enforcement strategy completed by June 2012	Strategy drafted by June 2012	All	100%	0%	0%	0%	100%	100%	0%	R	Will be reviewed in 12/13 financial year
TL89	Review the Fire Protection Plan by the end of December 2012 to ensure effective fire brigade services	Plan reviewed by the end of December 2012	All	100%	0%	100%	0%	0%	100%	100%	G	Included in the disaster management plan
TL91	Maintenance of sport facilities	# Of facilities maintained	All	Developed the plan in 2010/11	7	7	7	7	7	7	G	n/a
TL77	Municipal parks and recreational areas is provided to all Households measured by the no of Households with access to recreational areas	No of wards with access to recreational areas	All	7	7	7	7	7	7	7	G	n/a
TL90	Provision of sport facilities	No of wards with access to sport facilities	All	100%	7	7	7	7	7	7	G	n/a

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Ref	KPI	Unit of Measurement	Wards	Previous Year Performance 2010/11	Performance of 2011/12						Corrective Measures for targets not achieved		
					Targets					Actual			
					Q1	Q2	Q3	Q4	Annual				
TL103	Develop a maintenance schedule for refuse removal assets	Develop a maintenance schedule for refuse sites by September	All	100%	100%	0%	0%	0%	100%	100%	100%	G	n/a
TL1	Establish a drop off facility (Waste transfer station) for domestic waste	% Established by end June	All	New KPI	0%	0%	0%	100%	100%	0%		R	Waiting for license, moved to 12/13 financial year
TL2	Establish a drop off facility in each ward for domestic waste - Rubble	% Established by end June	All	New KPI	0%	0%	0%	100%	100%	0%		R	Waiting for license, moved to 12/13 financial year
TL102	Waste management capital spending measured by the % of budget spent	% spent of approved waste management capital projects	All	100%	10%	40%	60%	100%	100%	5.40%		R	No capital budget. 2012/13 budget includes capital budget for waste management
TL97	Waste management capital spending measured by the % of budget spent	% spent of approved waste management capital projects	All	100%	10%	30%	60%	100%	100%	5.40%		R	2012/2013 budget includes capital budget for waste management.
TL101	Develop a Integrated Waste Management Plan measured by the quantity of waste recycled per annum by end June	By end June	All	New KPI	0%	0%	0%	100%	100%	0%		R	District wide review of IWMP currently underway and to be completed by the of June 2013. Eden DM and local municipalities decided to do a district wide review of all IWMP's of the municipalities.
TL82	Maintenance of halls and facilities	# Of halls and facilities maintained on a monthly basis	All	New plan	6	6	6	6	6	6	6	G	n/a
TL83	Maintenance of halls and facilities	% of maintenance budget of halls and facilities spent	All	100%	20%	40%	60%	100%	100%	80.80%		O	n/a
TL81	Municipal buildings is maintained in terms of the maintenance budget for municipal buildings spent	% of maintenance budget spent	All	100%	25%	40%	65%	100%	100%	95%		O	n/a
TL11	Refurbishment of Hall - Purchasing of	% Of project completed	All	New KPI	0%	0%	0%	100%	100%	0%			Unable to procure due to moratorium and capital

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Ref	KPI	Unit of Measurement	Wards	Previous Year Performance 2010/11	Performance of 2011/12						Corrective Measures for targets not achieved	
					Targets					Actual		
					Q1	Q2	Q3	Q4	Annual			
	kitchen equipment, curtains, blinds and polisher for all Community Halls in all wards.										R	expenditure as a result of cash flow problems.
TL22	Provision of free basic electricity in terms of the equitable share requirements	No of Households receiving free basic electricity	All	100%	0	0	0	5,800	5,800	6,051	G 2	n/a
TL23	Provision of free basic electricity in terms of the equitable share requirements	Quantum of free basic electricity per household	All	50	50	50	50	50	50	50	G	n/a
TL26	Provision of free basic refuse removal in terms of the equitable share requirements	No of Households receiving free basic refuse removal	All	100%	0	0	0	2,000	2,000	1,888	O	n/a
TL27	Provision of free basic refuse removal in terms of the equitable share requirements	Quantum of free basic refuse removal per month per household	All	R 60.42	R 65	R 65	R 65	R 65	R 65	R 74.10	G 2	n/a
TL18	Provision of free basic sanitation in terms of the equitable share requirements	No of Households receiving free basic sanitation	All	100%	0	0	0	2,000	2,000	1,888	O	n/a
TL19	Provision of free basic sanitation in terms of the equitable share requirements	Quantum of free basic sanitation provided per Households	All	R 72.70	R 70.16	R 70.16	R 70.16	R 70.16	R 70.16	R 79.99	G 2	n/a
TL14	Provision of free basic water in terms of the equitable share requirements	No of Households receiving free basic water	All	100%	0	0	0	5,400	5,400	5,441	G 2	n/a
TL15	Quantum of free basic water per household in terms of the equitable share requirements	Quantum of free basic water provided per household	All	6	6	6	6	6	6	6	G	n/a
TL28	Reduction in the indigent housing backlog	# Reduction	All	New KPI	0	0	0	7,355	7,355	8,368	R	There is an influx of people all the year round from other provinces who are coming to Plett and they register in our housing waiting list. The Census report 2011 confirms this. More resources are being canvassed to ensure that the backlog is reduced significantly.
TL20	Provision of electricity	No of formal areas	All	100%	0	0	0	3,782	3,782	3,782		n/a

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Ref	KPI	Unit of Measurement	Wards	Previous Year Performance 2010/11	Performance of 2011/12							Corrective Measures for targets not achieved
					Targets					Actual		
					Q1	Q2	Q3	Q4	Annual			
	that are connected to the national grid to all formal areas	that meet agreed service standards									G	
TL21	Provision of electricity that are connected to the national grid to all informal areas	No of informal areas that meet agreed service standards	All	83%	0	0	0	145	145	145	G	n/a
TL16	Provision of sanitation systems limited to domestic waste water and sewerage disposal to formal Households	No of formal Households that have at least VIP on site	All	100%	0	0	0	8,762	8,762	8,762	G	n/a
TL17	Provision of sanitation systems limited to domestic waste water and sewerage disposal to informal Households	No of informal Households that have at least VIP on site	All	100%	0	0	0	145	145	145	G	n/a
TL12	Provision of cleaned piped water to all formal Households within 200m from the household	No of formal Households that meet agreed service standards for piped water	All	100%	7,764	7,764	7,764	7,764	7,764	8,568.25	G 2	n/a
TL13	Provision of cleaned piped water to all informal Households within 200m from the household	No of informal Households that meet agreed service standards for piped water	All	100%	0	0	0	145	145	145	G	n/a
TL122	Development a maintenance schedule for electricity assets by end June to maintain assets	Plan developed by end June	All	100%	0%	0%	0%	100%	100%	80%	O	Schedules to be updated, including low voltage.
TL121	Effective electricity capital spending measured by the % of budget spent	% spent of approved electricity capital projects	All	83%	10%	30%	60%	100%	100%	47%	R	47. % of the capital budget was spent. The rest was grant funding for electrification which was rolled over to 12/13 due to change in housing programme after new Council took over.
TL120	Effective management of electricity provisioning systems	% of electricity unaccounted for	All	11.25%	0%	0%	0%	5%	5%	8%	R	Loss Control Officer post vacant – being advertised
TL123	Electricity assets is maintained in terms of the maintenance budget spent	% of maintenance budget of electricity spent	All	110%	25%	50%	60%	100%	100%	86%	O	n/a

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Ref	KPI	Unit of Measurement	Wards	Previous Year Performance 2010/11	Performance of 2011/12							Corrective Measures for targets not achieved
					Targets					Actual		
					Q1	Q2	Q3	Q4	Annual			
TL119	Electricity connections to provide electricity reticulation to new developments	No of new electricity connections	All	509	0	0	0	145	145	244	B	n/a
TL7	Electrification: Housing programme - Supply and installation of power network and connection points for subsidised housing schemes	% Of project completed	All	New KPI	0%	0%	0%	100%	100%	100%	G	n/a
TL118	Improvement of electricity distribution capacity	Final phase of the 22Kw to a 60Kw electricity network extension project in Kwanangkatula, Ladywood and Roberg	2; 5; 6	100%	0%	0%	0%	100%	100%	100%	G	n/a
TL117	Electricity saving awareness campaign	Execution of electricity saving awareness initiative by end June	All	New KPI	0	1	0	1	2	1	R	Advertised on local papers for electricity saving tips
TL5	Construction of various streets, including activities such as kerb laying, layer works and surfacing both in bitumen and paving bricks	% Of project completed	All	New KPI	0%	0%	0%	100%	100%	0%	R	Budget available was used for reseal of roads and not construction of new roads. Roads resealed are portion of Angola, portion of Sishuba, Muller and Wilder, Salie ,Orange Grove and portion of Hof Streets.
TL106	Effective municipal roads capital spending measured by the % of budget spent	% spent of approved roads capital projects	All	95%	10%	30%	70%	100%	100%	100%	G	n/a
TL6	Landscaping and pedestrian NMT routes: New Horizons - construction of new road works, including activities of layer works, stromwater installation, bitumen surfacing and brick paved sidewalks and non-motorizes pathways	% Of project completed	3; 4	New KPI	0%	0%	0%	100%	100%	100%	G	n/a
TL108	Maintenance of municipal roads	% of maintenance budget of municipal roads spent	All	118%	25%	50%	60%	100%	100%	97%	O	n/a

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Ref	KPI	Unit of Measurement	Wards	Previous Year Performance 2010/11	Performance of 2011/12						Corrective Measures for targets not achieved	
					Targets					Actual		
					Q1	Q2	Q3	Q4	Annual			
TL107	Municipal roads is maintained measured by the kms/square meters of roads patched and resealed according to approved maintenance schedule within available budget	Kms of roads patched and resealed	All	New KPI	0	0	0	1	1	1	G	n/a
TL105	Provision of tar roads for existing gravel roads in the municipal area measured by the km's of gravel roads tarred	No of kilometres tarred	All	New KPI	0	0	0	1	1	0	R	The capital budget provision made was utilized for reseal of roads instead of constructing new roads
TL104	Development a integrated transport plan by end September	Develop by end September	All	New KPI	100%	0%	0%	0%	100%	100%	G	n/a
TL99	Develop a maintenance schedule for sanitation systems by end September	Schedule developed or revised by end September	All	100%	100%	0%	0%	0%	100%	100%	G	n/a
TL100	Maintenance of sanitation assets	% of maintenance budget of sanitation assets spent	All	New plan	10%	40%	60%	100%	100%	84%	O	n/a
TL92	Provision of stormwater management systems in built up areas to all formal Households	No of formal Households with access to stormwater management system	All	1.5km	0	0	0	7,764	7,764	7,764	G	n/a
TL93	Provision of stormwater management systems in built up areas to all informal Households	No of informal Households with access to stormwatermanagement system	All	5500	0	0	0	145	145	145	G	n/a
TL98	Sanitation assets is maintained in terms of the maintenance budget spent	% of maintenance budget of sanitation spent	All	100%	10%	40%	60%	100%	100%	84%	O	n/a
TL95	Stormwater assets is maintained in terms of the maintenance budget spent	% of maintenance budget of stormwater spent	All	0%	10%	40%	60%	100%	100%	97%	O	97% of S/W maintenance budget was spent. Clean all stormwater systems with EPWP labour & jetting machine.
TL96	Quality of waste water	% water quality	All	1	0%	0%	0%	85%	85%	98.60%		n/a

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Ref	KPI	Unit of Measurement	Wards	Previous Year Performance 2010/11	Performance of 2011/12							Corrective Measures for targets not achieved
					Targets					Actual		
					Q1	Q2	Q3	Q4	Annual			
	discharge measured by the % water quality level as per green drop standards	level of waste water discharge									G 2	
TL9	Augmentation Programme, Off-channel dam (Keurbooms scheme) process - Investigation into new supply of water in all water	% Of project completed	All	New KPI	0%	0%	0%	100%	100%	100%	G	n/a
TL113	Develop maintenance schedule for water assets by end September to maintain water assets	Develop by end September	All	100%	10%	30%	60%	100%	100%	100%	G	n/a
TL110	Effective management of water provisioning systems to limit unaccounted water	% of water unaccounted for	All	25%	0%	0%	0%	21%	21%	16.13%	B	n/a
TL112	Effective water capital spending measured by the % of budget spent as per blue drop specifications	% spent of approved water capital projects	All	106%	10%	30%	60%	100%	100%	100%	G	n/a
TL109	New water connections to provide for potable water supply systems	No of new water connections per quarter	All	100	0	0	0	145	145	177	G 2	n/a
TL10	Recharge ground water/boreholes - Drill and equip boreholes to augment water supply in all wards	% Of project completed	All	New KPI	0%	0%	0%	100%	100%	100%	G	n/a
TL8	Supply and installation of a new 500 Raw water mains and abstraction MIG to upgrade supply in all wards	% Of project completed	All	New KPI	0%	0%	0%	100%	100%	100%	G	n/a
TL114	Water assets is maintained in terms of the maintenance budget spent	% of maintenance budget of water spent	All	99.70%	25%	50%	75%	100%	100%	79.20%	O	Current budget will be expended
TL116	Develop a water saving implementation plan by end March	Develop by end March	All	New KPI	0%	0%	100%	0%	100%	100%	G	n/a
TL115	Development or implementation of a	Develop plan by end June	All	New KPI	0%	0%	0%	100%	100%	100%		n/a

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Ref	KPI	Unit of Measurement	Wards	Previous Year Performance 2010/11	Performance of 2011/12						Corrective Measures for targets not achieved	
					Targets					Actual		
					Q1	Q2	Q3	Q4	Annual			
	Water Demand Management plan by the end of June										G	
TL111	Excellent water quality measured by the quality of water as per blue drop or SANS 241 criteria	% water quality level	All	98.75	0%	0%	0%	98%	98%	97.74%	O	n/a

Table 57: Top Layer SDBIP – Basic Service Delivery

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4.4 DEVELOPMENT AND SERVICE DELIVERY PRIORITIES FOR 2011/12

4.4.1 MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT PRIORITIES FOR 2011/12

The following objective is linked to the Priorities listed in the table below:

- Create an institution to align planning with implementation for effective and efficient service delivery

KPI	Unit of Measurement	Wards	Annual Target
Targeted skills development measured by the implementation of the workplace skills plan	% of budget spent	All	0.7
Develop an Employment Equity Policy and submit for approval by the end of March	Policy developed	All	1
Revise identified HR policies by the end of June to ensure compliant and up to date HR policies	No of policies revised	All	3
Landscaping and pedestrian NMT routes: New Horizons - Complete the construction of the pedestrian pathway by the end of June	Square meters of pathway completed	3;4	900
Landscaping and pedestrian NMT routes: New Horizons - Complete the installation of street lights by the end of June	Number of street lights	3;4	96
Electrification - Supply and installation of power network and connection points for informal housing by the end of June	Number of connections	All	124
Complete phase 3 of the Water Network extension and complete the construction of the reservoir by the end of June	% of budget spent	All	100
Complete the feasibility study for the off-channel dam (Keurbooms scheme) by the end of June 2013	Study completed	All	1
Provision of cleaned piped water to all formal Households within 200m from the household	No of formal households that meet agreed service standards	All	4
Provision of sanitation systems limited to domestic waste water and sewerage disposal to formal households with at least VIP on site	No of formal households that meet agreed service standards	All	1
Provision of electricity that are connected to the national grid to all formal households	No of formal households that meet agreed service standards	All	4
Development of a Stormwater Master Plan by 2012/13 financial year	Plan developed by 12/13 financial year	All	1
Quality of waste water discharge measured by the % water quality level as per green drop standards	% water quality level of waste water discharge	All	85
Limit unaccounted water to 19%	% of water unaccounted for	All	19
Excellent water quality measured by the quality of water as per blue drop or SANS 241 criteria	% water quality level	All	98

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KPI	Unit of Measurement	Wards	Annual Target
Review the existing Water Demand Management plan by the end of June	Review plan by end June	All	1
Execution of electricity saving awareness initiative by end June	Number of initiatives	All	1
Limit electricity losses to less than 9%	% of electricity unaccounted for	All	9
Review the maintenance schedule for electricity assets by end February to maintain assets	Review completed	All	1
Develop a fleet replacement strategy by the end of June 2013	Strategy developed	All	1
Development of the LED strategy implementation plan by end September annually	Strategy implementation plan completed	All	1
Development of the SDF strategy implementation plan by end September annually	Strategy implementation plan completed	All	1
Develop a project management system by the end of June 2013	System developed	All	1
Develop a land use management system by the end of June 2013	System developed (zoning map and register of departures)	All	2
Provision of 6 kl free basic water in terms of the equitable share requirements	Number of Households receiving free basic water	All	5200
Provision of free basic sanitation in terms of the equitable share requirements	Number of Households receiving free basic sanitation	All	1800
Provision of 50 kWh free basic electricity in terms of the equitable share requirements	Number of Households receiving free basic electricity	All	6000
Provision of free basic refuse removal in terms of the equitable share requirements	Number of Households receiving free basic refuse removal	All	1800
Financial viability measured in terms of the municipality's ability to meet its service debt obligations	Debt coverage ((Total operating revenue-operating grants received)/debt service payments due within the year)	All	8.2
Financial viability measured in terms of the outstanding service debtors	Service debtors to revenue – (Total outstanding service debtors/ revenue received for services)	All	32
Financial viability measured in terms of the available cash to cover fixed operating expenditure	Cost coverage ((Available cash+ investments)/ Monthly fixed operating expenditure	All	1
Improved revenue collection	% Debt recovery rate	All	90
Action plan completed to ensure that the root causes of issues raised by AG in AG report of the previous financial year are addressed to promote a clean audit	Number of plans completed	All	1
Prepare and submit the annual financial statements to the Auditor General by 31 August 2012	Approved financial statements submitted	All	1
Improvement in operational conditional grant (FMG en MSIG) spending measured by the % spent	% of the grant spent	All	100

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KPI	Unit of Measurement	Wards	Annual Target
Review all budget related policies by the end of March	Number of policies	All	7
Establish a refuse transfer station for domestic waste by the end of June	% Established by end June	All	100
Establish a drop off facility in each area for domestic waste - Rubble	Number of drop off facilities established	All	6
Complete the top structures for Kranshoek	Number of top structures completed	7	200
Complete the top structures for Kurland	Number of top structures completed	1	195
Erven serviced at Kranshoek	Number of erven serviced	7	105
Erven serviced at Qolweni	Number of erven serviced	3	200
Review the human settlement plan and housing policy by the end of June	By the end of June	All	2
Building of the New Horizons Library - Construction of the Central Library including an e-library for the greater Plettenberg Bay	% Established by the end September	4	100
Provision of refuse removal, refuse dumps and solid waste disposal to all formal areas	Number of formal Households for which refuse is removed at least once a week	All	15 479
Provision of refuse removal, refuse dumps and solid waste disposal to all informal areas	Number of informal Households for which refuse is removed at least once a week	All	2125
Review the Disaster Management Framework/Plan by the end of May	Reviewed by the end of May	All	1
Develop a Law Enforcement strategy by the end of May	Developed by the end of May	All	1
Develop a multi-purpose sport field at Kwa-Nokuthula - planning phase & appointment of contractor by the end of June	% Completed	4;5;6	100
Review the Integrated Waste Management Plan by the end of May	Reviewed by the end of May	All	1
Retain the blue flag status for Waves beach and Robberg five beach	Number of blue flag status retained	All	2
Obtain a new blue flag status for Natures valley beach	Number of blue flag status obtained	All	1
GAP housing - Invite development proposal for the construction of the top structure ito FLISP by the end of June	% Completed	All	100
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	Number of people employed	All	7
Develop a communication strategy for approved by the end of March	Developed by the end of March	All	1

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KPI	Unit of Measurement	Wards	Annual Target
Review an anti-corruption policy by the end of March	Reviewed by the end of March	All	1
Sign the Section 57 performance agreements with all directors by the end of December	Number of agreements signed	All	5
Institutional Performance management system in place and implemented up to the first level of reporting	% implemented	All	100
Functional audit and performance audit committee measured by the number of meetings per annum	Number of meetings held	All	4
Risk based audit plan approved by the audit committee by the end of January	Plan approved by the end of January	All	1
Develop By-laws by the end of June	Number of by-laws developed	All	2
Action plan completed by the end of February to ensure that the root causes of issues raised by AG in AG report of the previous financial year are addressed to promote a clean audit	Plan completed by the end of February	All	1
Ward committee meetings held to ensure consistent and regular communication with residents	Number of ward committee meetings per ward per annum	All	8
Appoint a PMS manager by the end of January	Appointed by the end of January	All	1

Table 58: Institutional Development Priorities for 2011/12

4.4.2 GOOD GOVERNANCE AND PUBLIC PARTICIPATION PRIORITIES FOR 2011/12

The following objective is link to the Priorities listed in the table below:

- To develop a municipal governance system that complies with international best practise

KPI	Unit of Measurement	Wards	Annual Target
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	Number of people employed	All	7
Develop a communication strategy for approved by the end of March	Developed by the end of March	All	1
Review an anti-corruption policy by the end of March	Reviewed by the end of March	All	1
Sign the Section 57 performance agreements with all directors by the end of December	Number of agreements signed	All	5
Institutional Performance management system in place and implemented up to the first level of reporting	% implemented	All	100
Functional audit and performance audit committee measured by the number of meetings per annum	Number of meetings held	All	4

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KPI	Unit of Measurement	Wards	Annual Target
Risk based audit plan approved by the audit committee by the end of January	Plan approved by the end of January	All	1
Develop By-laws by the end of June	Number of by-laws developed	All	2
Ward committee meetings held to ensure consistent and regular communication with residents	Number of ward committee meetings per ward per annum	All	8

Table 59: Good Governance Priorities for 2011/12

4.4.3 MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT PRIORITIES FOR 2011/12

The following objective is link to the Priorities listed in the table below:

- To be a financially viable institution geared to provide affordable and sustainable services to the clientele of Bitou municipality

KPI	Unit of Measurement	Wards	Annual Target
Provision of 6 kl free basic water in terms of the equitable share requirements	Number of Households receiving free basic water	All	5200
Provision of free basic sanitation in terms of the equitable share requirements	Number of Households receiving free basic sanitation	All	1800
Provision of 50 kWh free basic electricity in terms of the equitable share requirements	Number of Households receiving free basic electricity	All	6000
Provision of free basic refuse removal in terms of the equitable share requirements	Number of Households receiving free basic refuse removal	All	1800
Financial viability measured in terms of the municipality's ability to meet its service debt obligations	Debt coverage ((Total operating revenue-operating grants received)/debt service payments due within the year)	All	8.2
Financial viability measured in terms of the outstanding service debtors	Service debtors to revenue – (Total outstanding service debtors/ revenue received for services)	All	32
Financial viability measured in terms of the available cash to cover fixed operating expenditure	Cost coverage ((Available cash+ investments)/ Monthly fixed operating expenditure	All	1
Improved revenue collection	% Debt recovery rate	All	90
Action plan completed to ensure that the root causes of issues raised by AG in AG report of the previous financial year are addressed to promote a clean audit	Number of plans completed	All	1
Prepare and submit the annual financial statements to the Auditor General by 31 August 2012	Approved financial statements submitted	All	1

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KPI	Unit of Measurement	Wards	Annual Target
Improvement in operational conditional grant (FMG en MSIG) spending measured by the % spent	% of the grant spent	All	100
Review all budget related policies by the end of March	Number of policies	All	7
Action plan completed by the end of February to ensure that the root causes of issues raised by AG in AG report of the previous financial year are addressed to promote a clean audit	Plan completed by the end of February	All	1

Table 60: Financial Viability Priorities for 2011/12

4.4.4 BASIC SERVICE DELIVERY PRIORITIES FOR 2011/12

The following objective is link to the Priorities listed in the table below:

- Ensure efficient and affordable basic services to all residents of Bitou

KPI	Unit of Measurement	Wards	Annual Target
Landscaping and pedestrian NMT routes: New Horizons - Complete the construction of the pedestrian pathway by the end of June	Square meters of pathway completed	3;4	900
Landscaping and pedestrian NMT routes: New Horizons - Complete the installation of street lights by the end of June	Number of street lights	3;4	96
Electrification - Supply and installation of power network and connection points for informal housing by the end of June	Number of connections	All	124
Complete phase 3 of the Water Network extension and complete the construction of the reservoir by the end of June	% of budget spent	All	100
Complete the feasibility study for the off-channel dam (Keurbooms scheme) by the end of June 2013	Study completed	All	1
Provision of cleaned piped water to all formal Households within 200m from the household	No of formal households that meet agreed service standards	All	4
Provision of sanitation systems limited to domestic waste water and sewerage disposal to formal households with at least VIP on site	No of formal households that meet agreed service standards	All	1
Provision of electricity that are connected to the national grid to all formal households	No of formal households that meet agreed service standards	All	4
Development of a Stormwater Master Plan by 2012/13 financial year	Plan developed by 12/13 financial year	All	1
Quality of waste water discharge measured by the % water quality level as per green drop standards	% water quality level of waste water discharge	All	85
Limit unaccounted water to 19%	% of water unaccounted for	All	19

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KPI	Unit of Measurement	Wards	Annual Target
Excellent water quality measured by the quality of water as per blue drop or SANS 241 criteria	% water quality level	All	98
Review the existing Water Demand Management plan by the end of June	Review plan by end June	All	1
Execution of electricity saving awareness initiative by end June	Number of initiatives	All	1
Limit electricity losses to less than 9%	% of electricity unaccounted for	All	9
Review the maintenance schedule for electricity assets by end February to maintain assets	Review completed	All	1
Develop a fleet replacement strategy by the end of June 2013	Strategy developed	All	1
Development of the SDF strategy implementation plan by end September annually	Strategy implementation plan completed	All	1
Establish a refuse transfer station for domestic waste by the end of June	% Established by end June	All	100
Establish a drop off facility in each area for domestic waste - Rubble	Number of drop off facilities established	All	6
Complete the top structures for Kranshoek	Number of top structures completed	7	200
Complete the top structures for Kurland	Number of top structures completed	1	195
Erven serviced at Kranshoek	Number of erven serviced	7	105
Erven serviced at Qolweni	Number of erven serviced	3	200
Review the human settlement plan and housing policy by the end of June	By the end of June	All	2
Building of the New Horizons Library - Construction of the Central Library including an e-library for the greater Plettenberg Bay	% Established by the end September	4	100
Provision of refuse removal, refuse dumps and solid waste disposal to all formal areas	Number of formal Households for which refuse is removed at least once a week	All	15 479
Provision of refuse removal, refuse dumps and solid waste disposal to all informal areas	Number of informal Households for which refuse is removed at least once a week	All	2125
Review the Disaster Management Framework/Plan by the end of May	Reviewed by the end of May	All	1
Develop a Law Enforcement strategy by the end of May	Developed by the end of May	All	1
Develop a multi-purpose sport field at Kwa-Nokuthula - planning phase & appointment of contractor by the end of June	% Completed	4;5;6	100
Review the Integrated Waste Management Plan by the end of May	Reviewed by the end of May	All	1

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KPI	Unit of Measurement	Wards	Annual Target
Retain the blue flag status for Waves beach and Robberg five beach	Number of blue flag status retained	All	2
Obtain a new blue flag status for Natures valley beach	Number of blue flag status obtained	All	1
GAP housing - Invite development proposal for the construction of the top structure into FLISP by the end of June	% Completed	All	100

Table 61: Basic Services Delivery and Infrastructure Development Priorities for 2011/12

4.4.5 LOCAL ECONOMIC DEVELOPMENT PRIORITIES FOR 2011/12

The following objective is link to the Priorities listed in the table below:

- To strengthen and improve the economy of Bitou for sustainable growth and job creation

KPI	Unit of Measurement	Wards	Annual Target
Development of the LED strategy implementation plan by end September annually	Strategy implementation plan completed	All	1

Table 62: Local Economic Development Priorities for 2011/12

4.5 BASIC SERVICE DELIVERY

4.5.1 BASIC SERVICES DELIVERY PERFORMANCE HIGHLIGHTS

Highlight	Description
Second in Western Cape Blue Drop scores	<p>Blue Drop Provincial Performance – Western Cape- Top 3 Municipal Performance based on Blue Drop scores for water supply systems the Water Services</p> <p>The small municipality of Bitou continues to impress with an impressive second place in the Western Cape. This municipality together remains national leader in the class of smaller municipalities and must surely be used as a case study to inspire others to reach the same heights in terms of Blue Drop performance. What is more remarkable of Bitou's the ability to have sustained this impressive performance since the inception of this regulatory programme.</p>
Blue Drop for all 3 Water Purification Works	<p>Regulatory Impression</p> <p>Bitou Local Municipality once again sets the benchmark for many smaller municipalities with regards to effective drinking water quality management. The highly passionate and committed officials are recommended for their remarkable efforts to maintain excellence in their daily operations and therefore deserve the</p>
Plettenberg Bay : Platinum Award	
Kurland: Platinum Award	

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Highlight	Description
Natures Valley: Gold Award	<p>recognition through this certification. In spite of the accolades of the previous audit further improvements were recorded for this reporting cycle. The municipality can proudly hoist the Blue Dropflag in all three of their water supply systems which are a rare feat for a municipality of its size and capacity.</p> <p>A 100% score was a definite possibility if it were not found that the chemical monitoring records reflected a limited number of determinants being tested as part of the continuous monitoring programme. This is required to be aligned to the risk assessment's full SANS 241 assessment.</p> <p>Nevertheless, it is repeated this year again, that the Department has complete confidence in the manner drinking water quality is being managed by this municipality. Bitou surely deserve the prestigious certification for all three systems.</p>
Green Drop and Wilson Award	<p>Bitou has a W2RAP in place which has been developed in-house, signed off by the Head of Engineering and the Municipal Manager on 22/2/2012. Of interest is that the plan is structured with focus on assist the Process Controllers to mitigate the key risks associated in their day to day running of the sanitation system. The Plan comprises of the legislative framework, risk management, and focus on pump stations. The plan shows that the staff has a pragmatic handle on risk and knows exactly how to use it to better the business. The insert of the PAT information and USE thereof of commendable and set a benchmark for the industry.</p> <p>Regulation Impression</p> <p>Bitou continues to impress. The risk ratings for both WWTWs remain low due to the excellent final effluent compliance, the availability of the requisite O&M staff and the operating flow well within the design capacity for each WWTW. The development and implementation of the W2RAP will ensure sustainable excellence in performance of the plants and the expectation of improved GS compliance. The Regulator is of the opinion that Bitou presents some of the best run and managed plants and networks in South Africa and is clearly intent to maintain this status through continuous involvement in the schools, community, and environment. The Council's involvement and commitment to the administrative and technical staff is appreciated and serves as a trigger for continuous improvement.</p>
Spending 100% of MIG funding	This achievement was reported on in January, which makes the second municipality to achieve 100% spending in the Western Cape.
Road Reseal Programme	Resealed the following roads: Portion of Angola, Portion of Sishuba

Table 63: Basic Services Delivery Highlights

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4.5.2 BASIC SERVICES DELIVERY CHALLENGES

Service Area	Challenge	Actions to address
Electrification of Informal Areas - Qolweni	Land	Procure land
Electrification of Informal Areas - Kurland	Electricity Capacity and funds	Get additional capacity from ESKOM and funding from DOE
Electricity provision	Inadequate electricity capacity	ESKOM to build a new Bitou Sub station
Road Infrastructure maintenance	Inadequate funding for resealing/rehabilitation	Source Funding and budget
Storm Water	Inadequate S/W Infrastructure	Develop a Storm Water Master Plan Budget for storm water Source external funding
Maintenance of all infrastructure assets (water, sewer, roads, electrical)	Inadequate funding	Budget for maintenance, at least realize 8% of overall budget for maintenance
Fleet Management	Old inefficient fleet with lots of breakdowns	Replace old fleet with new. Budget adequately for fleet. Train drivers.

Table 64: Basic Services Delivery Challenges

4.5.3 ACCESS TO FREE BASIC SERVICES

The following table indicates the percentage of indigent households that have access to free basic municipal services. In accordance with the approved indigent policy of the municipality, all households earning less than

R3 500 per month will receive the free basic services as prescribed by national policy.

The table below indicates that **33%** of the total number of households received free basic services in 2009/10 financial year whilst it increased to **37%** in the 2011/12 financial year:

Financial year	Number of households								
	Total no. of HH	Free Basic Electricity		Free Basic Water		Free Basic Sanitation		Free Basic Refuse Removal	
		No. Access	%	No. Access	%	No. Access	%	No. Access	%
2009/10	15 029	4 990	40	4 677	38	1 843	15	1 843	15
2010/11	15 087	5 682	38	5 309	35	1 685	11	1 685	11
2011/12	16 144	6051	38	5 441	34	1 888	12	1 888	12

Table 65: Free basic services to indigent households

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The access to free basic services is summarised into the different services as specified in the following table:

Electricity									
Financial year	Indigent Households			Non-indigent households			Households in Eskom areas		
	No. of HH	Unit per HH (kwh)	Value	No. of HH	Unit per HH (kwh)	Value	No. of HH	Unit per HH (kwh)	Value
			R'000			R'000			R'000
2009/10	1 843	50	708	3 147	50	1 208	2 335	50	510
2010/11	1 685	50	624	3 997	50	1 809	2 335	50	616
2011/12	1 888	50	884	4 163	50	1948	1848	50	687

Table 66: Free basic Electricity services to indigent households

Water						
Financial year	Indigent Households			Non-indigent households		
	No. of HH	Unit per HH (kl)	Value	No. of HH	Unit per HH (kl)	Value
			R'000			R'000
2009/10	1 843	6	580	2 834	6	892
2010/11	1 685	6	593	3 624	6	1 233
2011/12	1 888	6	110	3 553	6	1 228

Table 67: Free basic Water services to indigent households

Sanitation						
Financial year	Indigent Households			Non-indigent households		
	No. of HH	R value per HH	Value	No. of HH	Unit per HH per month	Value
			R'000			R'000
2009/10	1 843	58.52	1 458	0	0	0
2010/11	1 685	70.16	1 419	0	0	0
2011/12	1 888	154.09	137	0	0	0

Table 68: Free basic Sanitation services to indigent households

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Refuse Removal						
Financial year	Indigent Households			Non-indigent households		
	No. of HH	Service per HH per week	Value	No. of HH	Unit per HH per month	Value
			R'000			R'000
2009/10	1 843	1	1 202	0	0	0
2010/11	1 685	1	1 395	0	0	0
2011/12	1 888	1	114	0	0	0

Table 69: Free basic Refuse Removal services to indigent households per type of service

4.5.4 ACCESS TO BASIC LEVEL OF SERVICES

The following table indicates the number of households that gained access for the first time to the different types of basic services during the 2011/12 financial year:

Type of service	2008/09	2009/10	2010/11	2011/12
Housing	313	338	171	201
Water	313	331	252	177
Sanitation	313	314	210	169
Refuse removal	0	581	52	288
Electricity	313	287	509	244
Streets & Storm Water	313	313	171	288

Table 70: Access to basic level of services

A) CAPITAL BUDGET SPENT ON MUNICIPAL SERVICES

The percentage (%) of the total approved capital budget spent on each municipal service respectively for the 2008/09, 2009/10 and 2011/12 financial years respectively are as follows:

Financial Year	Housing	Water	Sanitation	Refuse Removal	Electricity	Streets & Storm Water	Community facilities
	(%)						
2009/10	88	96	137	74	79	99	52
2010/11	35	106	86	0	83	72	46
2011/12	98	98	6	5	46	69	88

Table 71: Capex

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The following table indicates the total amount of capital expenditure on assets by asset class for the past three financial years:

Description	2009/10	2010/11	2011/12		
	Actual	Actual Expenditure	Original Budget	Adjustment Budget	Actual Expenditure
<u>Capital expenditure on new assets by Asset Class/Sub-class</u>					
(R'000)					
<u>Infrastructure</u>	108748	87377	36881	33334	20321
Infrastructure - Road transport	33909	27245	11500	11236	3331
<i>Roads, Pavements & Bridges</i>	33 909	27 245	11 500	11 236	3 331
<i>Storm water</i>	0	0	0	0	0
Infrastructure - Electricity	20346	16347	6900	3529	2139
<i>Transmission & Reticulation</i>	20 346	16 347	6 900	3 529	2 139
<i>Street Lighting</i>	0	0	0	0	0
Infrastructure - Water	20 879	16 776	7 081	7 169	6 630
<i>Reticulation</i>	20 879	16 776	7 081	7 169	6 630
Infrastructure - Sanitation	8 551	6 871	2 900	7 900	8 031
<i>Reticulation</i>	8 551	6 871	2 900	7 900	8 031
Infrastructure - Other	25063	20138	8500	3500	190
<i>Waste Management</i>	25 063	20 138	8 500	3 500	190
<i>Other</i>	0	0	0	0	0
<u>Community</u>	18429	14807	6250	14527	10756
Parks & gardens	5 897	4 738	2 000	3 000	0
Sports fields & stadia	0	0	0	0	0
Community halls	737	592	250	250	0
Libraries	11 795	9 477	4000	9 257	10 756
Recreational facilities	0	0	0	2 000	0
Other	0	0	0	20	0
<u>Heritage assets</u>	0	0	0	0	0
<u>Investment properties</u>	0	0	0	0	0
<u>Other assets</u>	737	592	1 100	5 001	4 144
General vehicles	0	0	0	150	133
Plant & equipment	0	0	850	850	723
Computers - hardware/equipment	295	237	100	3 200	2 211

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Description	2009/10	2010/11	2011/12		
	Actual	Actual Expenditure	Original Budget	Adjustment Budget	Actual Expenditure
Capital expenditure on new assets by Asset Class/Sub-class					
(R'000)					
Furniture and other office equipment	280	225	95	761	1 077
Civic Land and Buildings	0	0	0	0	0
Other Building	162	130	55	40	0
Surplus Assets - (Investment or Inventory)	0	0	0	0	0
Other	0	0	0	0	0
<u>Agricultural assets</u>	0	0	0	0	0
<u>Biological assets</u>	0	0	0	0	0
<u>Intangibles</u>	0	0	0	0	0
Total Capital Expenditure on new assets	127 914	102 776	44 231	52 862	35 221

Table 72: Total capital expenditure on assets

B) PERCENTAGE SPENDING ON TOTAL CAPITAL BUDGET

The total percentage (%) of the capital budget for the past three years is indicated in the table below:

Financial year	% of Capital budget spent	Reasons for under spending
2009/10	83	A number of projects were not completed at year end e.g. Green Valley MPC, Green Valley Sport field, Kurland Services, Electricity Demand Management project and NDPG project. Funds will be rolled over to next financial year
2010/11	72	A land purchase agreement of R28 million (20% of capital budget) could not be finalised at year end. The construction of a new central library could not be completed at year end. Funds for these projects will roll over to the next financial year.
2011/12	64	Project roll overs, delay with SCM processed. Moratorium placed on some capital expenditure.

Table 73: Total capital expenditure

4.6 WATER PROVISION

The municipality provides water and sanitation services at significantly higher level than the basic RDP requirements. Almost all urban residents have access to uncontrolled water supply in houses or yards and full water borne sewerage. Maintenance of latrine pits is done by owners and not by the Municipality. The municipality provides a sludge emptying service to farmers. The municipality continuously strive to improve on the existing levels of service. The number of residential consumers of water is expected increase in line with the growth in population.

There are no significant wet industries in the Bitou Municipal area that receive water services from the municipality.

Bitou Municipality obtains water for human consumption from surface, groundwater, boreholes sources and the desalination plant. Water quality test results are available electronically, and the required reporting to the DWA takes place on a monthly basis. In rural areas (farms) the municipality does not supply water services. The communities use rainwater and groundwater sources.

Three major projects implemented in support of the water provision strategy are the installation of the 500mm diameter pipeline from Keurbooms, the feasibility study for a regional dam from district funding, the EIA for the Wardrift Dam in Wittedrift.

Bulk water supply remains a high priority and all efforts are put in place to meet growth and to be ahead in planning for future infrastructure requirements.

In this respect, the surface water augmentation scheme is in place and components of this scheme are implemented as funding become available through MIG and own sources. To this end 17km of a new Ø500mm raw water supply main has been completed.

This upgrading of the Keurboomsriver pump station is now in progress and the planning for a future off-channel dam (where water from the Keurboomsriver is stored) is in the EIA evaluation process.

RBIG funding is presently (as a sub-regional scheme with Knysna Municipality) being investigated through the office of Eden District Municipality in terms of a feasibility study for regional integration of the water supply systems. This will include both surface and underground sources.

Water is probably the most fundamental and indispensable of natural resources – fundamental to life, the environment, food production, hygiene and power generation. Poverty reduction and improved water management are inextricably linked. Section 4B of the Constitution lists water and sanitation services limited to potable water supply systems and domestic wastewater and sewerage disposal systems as a local government function. Basic water is defined as 25 litres of potable water per day supplied within 200 meters of a household.

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4.6.1 WATER SERVICES DEVELOPMENT PLAN

Community Engineering Services(PTY)Ltd in September 2008 compiled the Water Master Plan for the water distribution system for Bitou Municipality which was funded by Department of Water Affairs and Forestry (DWAF).That entails a computer models for the water systems in Bitou Municipality, linking these models with the stand and water meter databases of the treasury financial system, evaluation and master planning of the networks, and posting of all information to an engineering graphical information system (GIS). This master plan report lists the analyses and findings of the study on the water distribution systems of all the towns within the Bitou Municipality. This Water Master plan will be reviewed in the 2012/13 financial year.

4.6.2 WATER SERVICE DELIVERY LEVELS

Water losses improved from **17%** in the 2010/11 financial year to **12%** in the 2011/12 financial year. This shows an improvement of **5%** on water losses.

Demand Management Strategy involves the following initiatives:

Water Loss Control Management -Real loss assessment

Electronic Controlling Meter Reading

Leak detection and Leak detection planning

- 1) Regular inspection and sounding of all water main fittings.
- 2) Metering of individual pressure zones
- 3) District metered area metering
- 4) Night flow measurements
- 5) Temporary placing of loggers and noise detectors.
- 6) Pressure Management
- 7) Apparent Loss Control

Asset Management - Maintenance on Water reticulation system and maintenance on all isolating valves, including

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installation of new water meters

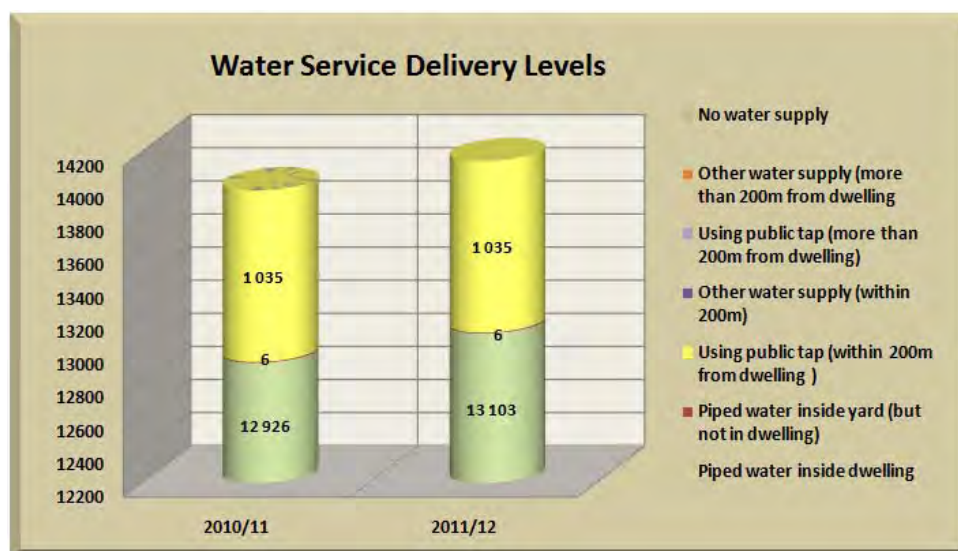
Below is a table that specifies the different water service delivery levels per households for the financial years 2010/11 and 2011/12:

Description	2010/11	2011/12
	Actual	Actual
Household		
<u>Water:</u> (above minimum level)		
Piped water inside dwelling	12 926	13103
Piped water inside yard (but not in dwelling)	6	6
Using public tap (within 200m from dwelling)	1035	1035
Other water supply (within 200m)	0	0
<i>Minimum Service Level and Above Sub-total</i>	13 967	14144
<i>Minimum Service Level and Above Percentage</i>	100	100
<u>Water:</u> (below minimum level)		
Using public tap (more than 200m from dwelling)	0	0
Other water supply (more than 200m from dwelling)	0	0
No water supply	0	0
<i>Below Minimum Service Level Sub-total</i>	0	0
<i>Below Minimum Service Level Percentage</i>	0	0
Total number of households (formal and informal)	13 967	14144

Table 74: Water service delivery levels

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The graph below shows the different water service delivery levels per total households and the progress per year:



Graph 7: Water Service Delivery Levels

A narrative providing information on the staff critical to service delivery and shortage hereof to accompany the above table on all municipal services. Municipalities should report for employees where cost centers are allocated.

The augmentation programme is on target and such programme provides for future demand and growth in usage. MIG funding is primary used for this programme. The main challenge is to secure funding of the off-channel raw water storage facility (Wadrift dam) and feasibility studies is now underway to explore RBIG funding for this purpose. Raw water storage is a vital component of the augmentation programme, whereby water from the Keurbooms is being pumped and stored in this facility during off-peak and seasonal periods.

The recent droughts has highlighted the weakness by dependence on surface water only, and other sources such as underground and seawater has been explored to supplement and enforce the security of this commodity. In future more emphasis need to be placed on alternative sources and a ratio of 50/50 has developed – i.e. 50% (groundwater, seawater and re-use of sewer effluent) – to enable sufficient water to satisfy demand patterns.

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4.6.3 CAPITAL EXPENDITURE – WATER SERVICES

Capital Projects	2011/12		
	Budget	Adjustment Budget	Actual Expenditure
R'000			
Total All	7 169	7 169	7 039
New 500 raw water and abstraction	5000	5000	4 976
Network Extensions	381	381	381
Augmentation off channel dam	1 500	1 500	1 472
Recharge Ground water	200	200	108
Telemetry Upgrading	88	88	35

Table 75: Capital Expenditure 2011/12: Water Services

The municipality have already experienced problems in meeting the water demand because of a number of dry years. There is a need to augment storage capacity to ensure continuity of supply. Construction of additional storage dams and pump stations will be required to maintain an adequate supply of water. A desalination plant was constructed which yields as an additional resource.

The large low-income and indigent population stresses available capital and operation funding and the municipality depends on grants from higher levels of government to supply services to this section of the population. MIG funding is utilized for bulk water provision projects. The challenge has always been adequate funding to maintain the water infrastructure assets, as a result some of the infrastructure is giving in, especially old cement asbestos pipes, leaking timeously resulting in water losses in the system. The department is however being proactive in certain instances, with whatever is available to try and curb these losses through the Demand Management Strategy used to address the issues. A telemetry system is in place to monitor flow levels in all reservoirs in order to avoid water losses. Under the operational budget, some bulk water meters were replaced due to age and inaccurate readings.

The variance in capital spending was due to a moratorium received from the then Acting Municipal Manager to reduce spending on the capital budget due to cash flow challenges experienced by the municipality at the time.

4.7 WASTE WATER (SANITATION) PROVISION

The Bitou Municipality has been able to provide the deemed necessary services to its residents. The services will include water and sanitation reticulation and bulk, road and storm water infrastructure, electricity reticulation and bulk, waste removal and health services. The number of these services has been increasing on yearly basis since there are housing projects implemented in areas such as Bossiesgif, Kwa-Nokuthula and Kurland since 2004.

The demand of services is also increasing due to the new developments and population growth. The draught which has struck the entire District during 2009/2010 financial year has also played a vital role in the water demand not properly met but the study done by NinhamShand showed that at least the current water supply will be fully functional and reliable till 2025. It should be noted that should water demand not met, the sanitation backlog will not be eradicated.

The first and foremost important aspect with sanitation is the health and hygienic priorities for those who are directly and indirectly exposed to it. The impoverished sanitation system has a direct negative impact on sustainable development due to illnesses caused such as cholera.

The municipality's sanitation strategy is based on the National Governments' vision which is, "Improved health, dignity and quality of life for all South Africans through improvements in sanitation and hygiene" and Bitou Municipality vision of "To Be The Best Together" summarizes it all. It is this municipal interest to improve the livelihoods of all its communities to have basic sanitation facilities which are highly hygienic and healthy. The focal areas for the Bitou Municipality in eradicating the sanitation backlogs will include application for funding in order to achieve sanitation backlog targets, Use of local capacity in implementing the project, Building of waterborne toilet system as an affordable option for Bitou Municipality. The geographic conditions of each and every area that needs to be serviced has to be taken into consideration, Population density and its challenges to the water demand that is on the increase and the current situation due to climate change and draught repercussions.

The Bitou Municipality envisage that should the funds be made available, a five year plan will be drawn in conjunction with all relevant stakeholders in order to achieve the targets within the set time frames stipulated in the funding contract/agreement. The five year plan will include scope of works, time management, high risk areas etc.

The project will be divided into different phases and it can be implemented in all areas affected parallel so that it may be monitored properly. In so doing the project will be finished by 2017 and in 2015 the Millenium Development Goals will be achieved. Alternately farms can be used as pilot projects where the project study, specifically for the Bitou area can be drawn for other phases to be properly implemented and monitored.

The hilly topography, combined with low-lying areas along the coast, presents numerous obstacles to the sewerage draining system. Many pump stations are necessary, with an extensive bulk sewerage transfer system to convey sewage

to the Waste Water Treatment Works. Upgrading of the sewer pump station and Repairs and maintenance of sewage facilities all wards.

Bitou also struggles to source adequately trained and experienced technical staff to operate and maintain plant and infrastructure. Budgetary provision for recruitment of qualified staff and their ongoing training is provided for. The large low-income and indigent population stresses available capital and operation funding and the municipality depends on grants from higher levels of government to supply services to this section of the population.

Community Engineering Services(Pty) Ltd in September 2008 compiled the Sewer Master Plan for the sewer distribution system for Bitou Municipality which was funded by Department Of Water Affairs And Forestry (DWAF). This entails a computer models for the sewer systems in Bitou Municipality, linking these models with the stand and water meter data basis of the treasury financial system, evaluation and master planning of the networks, and posting of all information to an engineering Graphical Information System (GIS). This master plan report lists the analyses and findings of the study on the sewer distribution systems of all the towns within the Bitou Municipality. This sewer master plan will be reviewed in this financial year. As it with water services provision, the challenge has always being adequate funding to maintain the sewer infrastructure assets, as a result some of the infrastructure is giving in, pump stations. A telemetry system is also in place in certain areas like pump stations, treatment works to avoid sump overflows which might result in spills into streams and the ocean causing an environmental hazard.

Capital projects under sanitation that were implemented were replacement of pumps at pump stations and the installation of new aerators at both the main sewer treatment works and the Kurland treatment works in order to comply with SANS standards for waste water quality.

The variance in capital spending was due to a moratorium received from the then Acting Municipal Manager to reduce spending on the capital budget due to cashflow challenges experienced by the municipality at the time.

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4.7.1 SANITATION SERVICE DELIVERY LEVELS

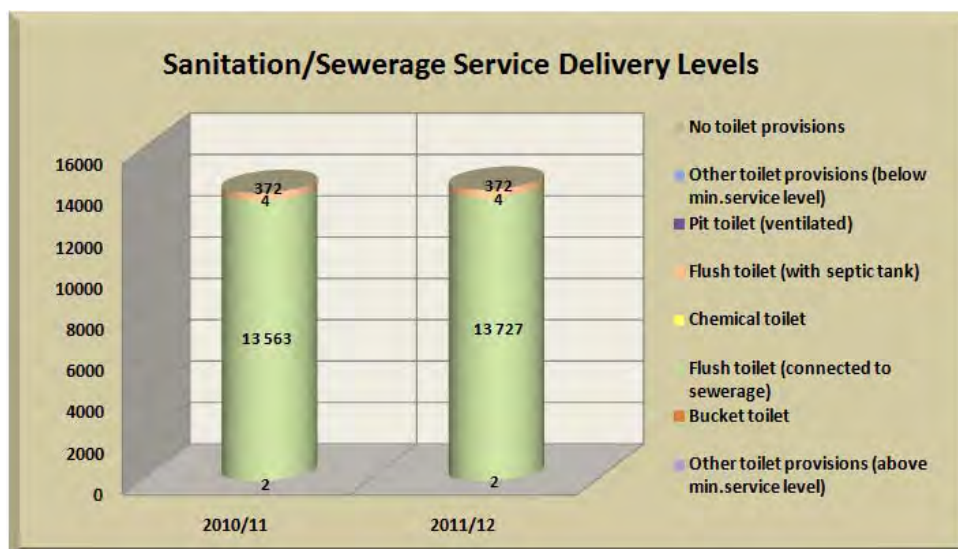
Below is a table that specifies the different sanitation service delivery levels per households for the financial years 2010/11 and 2011/12:

Description	2010/11	2011/12
	Actual	Actual
Household		
<u>Sanitation/sewerage:</u> (above minimum level)		
Flush toilet (connected to sewerage)	13563	13727
Flush toilet (with septic tank)	372	372
Chemical toilet	4	4
Pit toilet (ventilated)	0	0
Other toilet provisions (above minimum service level)	2	2
<i>Minimum Service Level and Above Sub-total</i>	13941	14105
<i>Minimum Service Level and Above Percentage</i>	100	100
<u>Sanitation/sewerage:</u> (below minimum level)		
Bucket toilet	0	0
Other toilet provisions (below minimum service level)	0	0
No toilet provisions	0	0
<i>Below Minimum Service Level Sub-total</i>	0	0
<i>Below Minimum Service Level Percentage</i>	0	0
Total number of households	13941	14105

Table 76: Sanitation service delivery levels

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The graph below shows the different sanitation service delivery levels per total households and the progress per year:



Graph 8: Sanitation/Sewerage Service Delivery Levels

4.7.2 CAPITAL EXPENDITURE – SANITATION SERVICES

Capital Projects	2011/12		
	Budget	Adjustment Budget	Actual Expenditure
R'000			
Total All	900	900	625
Upgrade Sewer Pumps	400	400	197
Mechanical Screen and Aerator	500	500	429

Table 77: Capital Expenditure 2011/12: Sanitation Services

Priorities on the sewer network are to ensure that the transportation of sewage is effective and minimum interruption occurs.

Some of the sewer pumps stations around Bitou need to be upgrade and budget allocations both in the operating and capital budget need to be made.

The finalization of the installation of the telemetry system remains a priority unfortunately insufficient capital budget allowance is available to continue with the project to monitor all installations.

4.8 ELECTRICITY

The strategy and results achieved so far is to make electricity available to all households identified within a year after the requirement has been identified. The top three service delivery priorities are to complete the planning on time, including additional capacity into the municipal grid, to ensure that funding is in place for all bulk infrastructure and electricity connections, and to perform in terms of the standards set during the construction stages.

Measures to improve performance are to work closer with the Human Settlement Departments, to integrate all functions within the relevant parties involved in the projects, and to have approved Master Plans in place for the roll out of the projects. This means working closely with ESKOM as well in ensuring implementation of their projects on time to provide additional capacity to the town

The Master Plan includes the identification of projects, programme and cashflow over a minimum period of three years. Successes achieved are securing of funds with the Department of Energy in terms of their Integrated National Electrification Programme and the first phase of upgrading the electrical infrastructure to Kwanokuthula under difficult circumstances. The DOE has however support the municipality in funding some of the projects. Keeping good relations with DOE and ensuring all grant funds are spent will result in more financial support from DOE.

Electrification priorities are determined in line with the municipality's IDP and Human Settlements/Housing Programmes. With the exception of Kranshoek and Kurland, where ESKOM is responsible for electrification, the municipality is responsible for all other townships within the municipal area.

Local Government plays a very important role in the provision of electricity. Section 153 of the Constitution places the responsibility on municipalities to ensure the provision of services to communities in a sustainable manner for economic and social support.

Major towns	Notified Maximum Demand (NMD)	Maximum Demand Growth (NMD)	Maximum Demand Peak (NMD)
Plettenberg Bay	18 500kVA	-1 158kVA	16 326kVA
Wittedrift	400Kva	64kVA	395kVA
Keurboomstarnd	1 700Kva	-186kVA	1 840kVA
Natures Valley	1000Kva	-113kVA	779kVA
Kwanokuthula and Brakloof	4 000kVA	-575kVA	5 301kVA

Table 78: Electricity Notified Maximum Demand

The Energy Losses for the 2010/11 financial year was **14.1%** whilst the losses in the 2011/2012 financial year were **13.2%**. This outcome gives an end result of **0.9%** reduction in energy losses that is a huge achievement for the Municipality.

Electricity Demand Management Strategy

The strategy is to appoint an Electrical Loss Control Officer, which position will be advertised and filled within the 12/13 financial year, to look into but not limited to the following functions:

- Verify readings from the consumer's meter
- Liaise with treasury with regards to disconnections of tempered meters
- Upgrade and downgrade of supply
- Check tariff circuit breakers since there are instances where customers use more supply but pay a lesser tariff
- Check tempering of pre-paid meters
- New bulk meters installations and verification of readings
- Inspect electrical installation in terms of compliance with the national regulation
- KVA meter testing
- Illegal connections

In order to proceed with the Load Management System. ESKOM has approved funding for this EE initiative within the municipality. An agreement needs to be signed between the two parties before project can be implemented. The challenge however is conditions that ESKOM has set which might make it challenging for the municipality to bring the project to fruition, including maintenance of the equipment to be installed.

A strategy to deal with illegal connections: This ongoing problem has been a challenging and expensive one for the Revenue Protection. In many instances damage is being caused to the infrastructure resulting in the loss of supply to legal customers. A considerable amount of time and money is being spent to deal with the problem. Modifications to the reticulation system were undertaken, at a considerable cost, in an effort to minimize the inconvenience to legal customers and to reduce illegal access to the reticulation. The Electrical department has successfully obtained the co-operation of the Protection Services and Treasury Department and the forth-coming year will see more aggressive policing and more arrest of culprits. A report of consumer's not purchasing electricity is issued by Treasury Department on a monthly basis and this is then used by the Electrical Department and Protection Services to disconnect and issue fines to those consumers.

The other challenge experienced by the municipality is informal areas on private land, which are impossible to provide services to due to certain policies in place. In the informal areas of Bossiesgif and Qolweni, approximately 330 households need to be electrified. Negotiations are in place to secure/procure the properties by the municipality in order to develop descent infrastructure services in the area. Rolled over funds of 11/12 will be utilized for this exercise of electrifying the area. Kurland will be considered for electrification with the 12/13 budget.

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The table below indicates the different service delivery level standards for electricity within the Municipality:

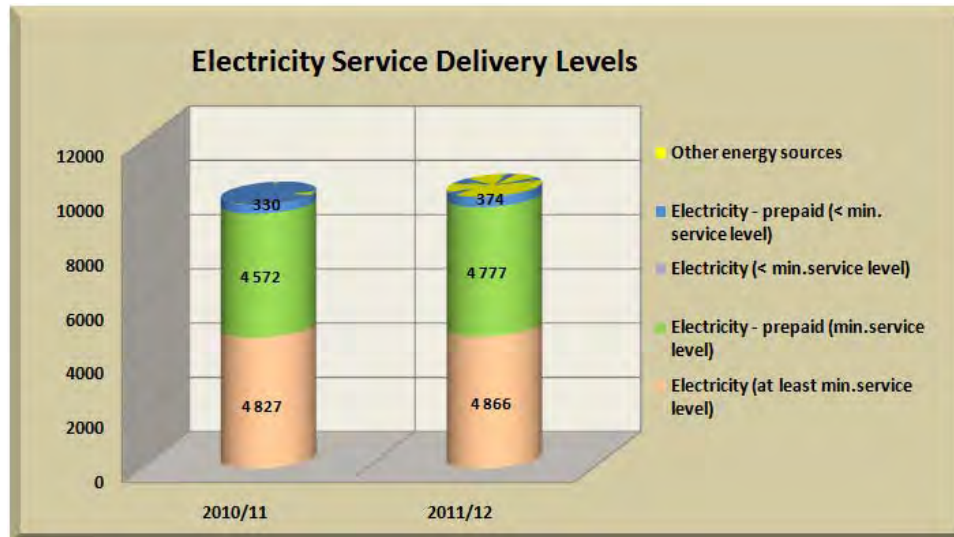
4.8.1 ELECTRICITY SERVICE DELIVERY LEVELS

Description	2010/11	2011/12
	Actual	Actual
Household		
<i>Energy: (above minimum level)</i>		
Electricity (at least minimum service level)	4 827	4 866
Electricity - prepaid (minimum service level)	4 572	4 777
<i>Minimum Service Level and Above Sub-total</i>	9 399	9 643
<i>Minimum Service Level and Above Percentage</i>	96.61	96.3
<i>Energy: (below minimum level)</i>		
Electricity (< minimum service level)	0	0
Electricity - prepaid (< min. service level)	330	374
Other energy sources	0	0
<i>Below Minimum Service Level Sub-total</i>	330	374
<i>Below Minimum Service Level Percentage</i>	3.39	3.7
Total number of households	9 729	10 017

Table 79: Electricity Service Delivery Levels

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The graph below shows the different sanitation service delivery levels per total households and the progress per year:



Graph 9: Electricity Service Delivery Levels

4.8.2 CAPITAL EXPENDITURE – ELECTRICITY SERVICES

Capital Projects	2011/12		
	2011/12		
	Budget	Adjustment Budget	Actual Expenditure
R'000			
Electrification: Housing Programme	2 243	2 243	282
Change supply from 22kV to 66kV	992	992	0
Network Extensions and Replacement	700	700	1 390
Upgrade MV cable in Plett	119	119	5
Upgrade LV/MV network Kwano	176	176	0
Additional Streetlights for all areas	118	118	114
Tools and Equipment	35	35	14

Table 80: Capital Expenditure 2011/12: Electricity Services

Eskom reported that at present their Farmers 1 and 2 rural 22kV overhead line networks are under severe pressure as a result of their 66/22 kV transformer at Robberg Substation running at near full capacity during peak hours. Eskom had a larger transformer placed at this location, but it cannot be brought into service since there is a delivery problem with certain switchgear parts to link this transformer with the network. The switchgears need to be installed first before the municipality could spend the allocated budget and ESKOM kept on postponing their project which resulted in our under performance in the budget. This project was only carried out in June 2011 hence the expenditure could not be realized by end June 2011.

2MVA transformer circuits have now become spare at the Municipality's Brakkloof Substation, which can be used to step-up the voltage at this location from 11 to 22kV, and this be linked through a short (± 370 meter) overhead line with Eskom's Farmers 2 rural overhead line in the near vicinity of said substation. This department received an allocation of R2m based on an application made to DoE for electrification of new houses in Kwanokuthula. Council then took a decision to instead prioritize the extension of civil services in line with Provincial Governments' Vision 2030 starting in Kranshoek thus not building any new top structure in the 11/12 financial year. Alternative projects were explored in order to be able to utilize the funds, including bulk infrastructure or the electrification of Qolweni. The challenge with Bossiesgif/Qolweni was the private land issue that had not been resolved. The funds eventually ended up being rolled over to 12/13 for electrification of Bossiesgif/Qolweni.

The variance in capital and operational spending was due to a moratorium received from the then Acting Municipal Manager to reduce spending on the capital budget due to cashflow challenges experienced by the municipality at the time.

4.9 HOUSING

The Housing Department together with IQ Vision, and the Professional Resource Team drafted a Multi-year Human Settlement Planning and Financials for Bitou Municipality.(2012 – 2018).In order to redress service backlogs the Vision 2030 Concept and Provincial Strategic Objective 6 and to focus on short term interventions to achieve the long term vision. Short term vision will include the provision of basic services, and long term will be Sustainable Human Settlements, with beneficiaries taking greater responsibility. The Provincial Objective 6 is aimed at Developing Integrated and Sustainable Human Settlements for all.

The biggest challenges always being faced are the annual allocation of funding and the timeous completion of the awarded contracts. The efficient planning of projects are further complicated with the revised budgets, and additional

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funding becomes available to be spent before March of the following year.

The annual allocation of funding for 2011/2012 was initially R16,327,134 and with the revised budget the allocation was increased to R54,182,134.

The following projects were completed in 2011/2012:

- 1) 92 Top structures; Kwanokuthula; Contract Value; R6,900,000
- 2) 401 Civil Services; Kranshoek; Contract Value; R9,400,000
- 3) 52 High Density Units; Bossiesgif/Qolweni; Contract value; R4,278,309

One of the most important service delivery programs is the Access to Basic Services. This program is aimed at servicing the Communities that are living in poverty, by the installation of Basic Services such as water and sanitation.

The attached Multi- year development plan illustrates the projected Housing projects for at least the next 5 years.

4.9.1 HOUSEHOLDS WITH ACCESS TO BASIC HOUSING

Year end	Total households (including formal and informal settlements)	Households in formal settlements	Percentage of households in formal settlements
2010/11	9 970	5 730	57
2011/12	10 542	6 018	57

Table 81: Households with access to basic housing

The following table shows the increase in the number of people on the housing waiting list. There are currently approximately **8 368** housing units on the waiting list.

Financial year	Nr of housing units on waiting list	% Housing waiting list increase
2009/10	7950	0.31
2010/11	8166	2.65
2011/12	8 368	2.41

Table 82: Housing waiting list

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A total amount of **R16327134** was allocated to build houses and to purchase land during the financial year under review.

A summary of houses built, includes:

Financial year	Allocation	Amount spent	% spent	Number of houses built	Number of sites serviced
	R'000	R'000	%	#	#
2009/10	51854	44 592	86	313	1330
2010/11	56 094	33 988	61	171	353
2011/12	16 327	16 327	100	207	401

Table 83: Housing

The priority of the largest projects are:

- 1) Kwanokuthula ; Completion of top structures.(92);
- 2) Bossiesgif/Qolweni; Completion of HD. Units(52)
- 3) Kranshoek; Completion of 401 services.

The five year targets set out in the IDP will only be achieved should the Provincial Administration approve the Multiyear planning program in terms of the project readiness system. This implies that sufficient funding must be made available on approval of projects.

4.9.2 CAPITAL EXPENDITURE – HOUSING

Capital Projects	2011/12				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
R'000					
Housing Services	2 000	2 000	2 000	0	2 000
Kranshoek Housing Infrastructure	5 000	5 000	5 000	0	5 000
Furniture And Equipment	121	121	0	121	121
Total All	7 121	7 121	7 000	121	7 121

Table 84: Capital Expenditure 2011/12: Housing

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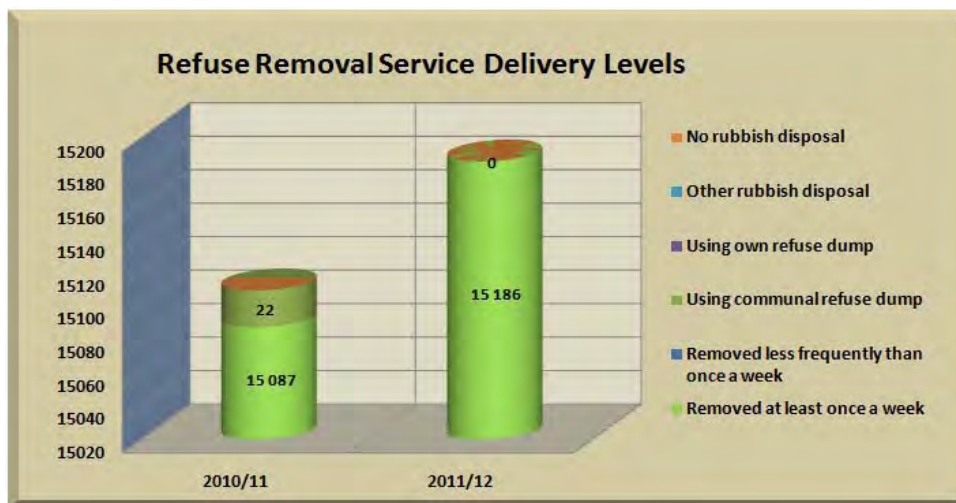
4.10 REFUSE REMOVAL

The table below indicates the different refuse removal service delivery level standards within the municipality:

Description	2010/11	2011/12
	Actual	Actual
Household		
<u>Refuse Removal:</u> (Minimum level)		
Removed at least once a week	15 087	15 186
<i>Minimum Service Level and Above sub-total</i>	15 087	15 186
<i>Minimum Service Level and Above percentage</i>	99.85	100
<u>Refuse Removal:</u> (Below minimum level)		
Removed less frequently than once a week	0	0
Using communal refuse dump	22	0
Using own refuse dump	0	0
Other rubbish disposal	0	0
No rubbish disposal	0	0
<i>Below Minimum Service Level sub-total</i>	22	0
<i>Below Minimum Service Level percentage</i>	0.15	0
Total number of households	15 112	15 186

Table 85: Refuse removal service delivery levels

The graph indicates the different refuse removal standards which the households are receiving



Graph 10: Refuse removal service delivery levels

4.11 ROADS

CPTR and OLS

2011 the Eden District Municipality (EDM) initiated a project to prepare a Current Public Transport Record (CPTR) and Operating License Strategy (OLS) for the Bitou Local Municipality (LM). The CPTR for the Bitou LM has been prepared in accordance with the Minimum Requirements for a CPTR. This information will assist with the preparation of a Local Integrated Transport Plan (LITP) for Bitou LM and the District Integrated Transport Plan (DITP) for EDM.

As part of a legislated development planning process all DMs have to compile an Integrated Development Plan (IDP). The ITP is a specific sector plan that feeds into the IDP. Ultimately the ITP also forms part of the development of the Provincial Land Transport Framework (PLTF). The preparation of the ITP is set out in the National Land Transport Act 5 of 2009 (NLTA). The ITP contains a Transport Register which comprises information about transport operation. Public transport operations and enforcement are set out in 2 documents referred to as the Current Public Transport Record and the Operating License Strategy.

ITP

The Integrated Transport Plan is prescribe by the National Land Transport Act (NLTTA) Act 22 of 2000 as amended Act of 2006 that all municipalities must compile an Integrated Transport Plan which is included in the DITP and submitted to the MEC for approval.

The previous ITP was review in September 2009 and the Department Transport and Public Works has appointed Pendulum Consulting to compile the new update of the ITP before March 2013.

The ITP consist of (a) Introduction, Responsibility and status of the plan, (b) Transport Status Quo, Summarised assessments of the status quo i.t.o. problems and causes of problems, (c) Transport Needs Assessment, Problem areas, Objectives, Strategies, Comprehensive list of projects (d) Transport Improvement Proposals, Prioritisation of projects, Budget constraints (e) Implementation Budget and Programme, Sources of funding, Cost estimates, Programme and budgets, Projects Plans.

The Integrated Development Plan (IDP) is a requirement of the Local Government: Municipal Systems Act, 2000. It states that the various integrated plans, of which the ITP is one, be taken up in the IDP. The municipal financial management Act, 2003 determines that projects identified in the IDP is taken up in the municipal budget. It is for this reason that it should be aimed to synchronise the ITP with IDP. The LITP should therefore be done on an annual basis.

Public Transport

In terms of the National Land Transport Act (No. 5 of 2009), Municipalities are now responsible for planning, contracting and implementation of municipal public transport services in their area of jurisdiction. In terms of the NLTA and the Constitution, local government is principally responsible for the delivery of municipal transport services. However, since Bitou has not been providing these services, it can be interpreted as the provision of a new "municipal service" within Section 77 of the Municipal Systems Act.

In light of the allocation of certain powers and functions to local municipalities regarding public transport, the Local Government: Municipal Systems Act (No. 32 of 2000) (Municipal Systems Act) requires a Section 78 investigation when a municipality provides a new municipal service (as per Section 77(d)) of the Act. The NLTA requirements on Local Municipalities thus being the trigger event, the Provincial Government of the Western Cape has initiated the process to assist the local municipalities in ensuring their legal compliance.

Based on this Municipal Systems Act Section 78(1) assessment it is evident that the municipality does not have the financial or the organizational capacity to implement the municipal public transport service successfully as an internal mechanism.

As a result of the conclusions reach above, before taking a decision to implement an internal mechanism, the municipality has to conduct an assessment in terms of Section 78(3) of the Municipal Systems Act into possible external mechanisms as contemplated in Section 76(b) of the Municipal Systems Act for the municipal public transport service.

This process for the Section 78(3) is near completion.

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The following tables give an overview of the total kilometers of roads maintained and new roads tarred:

4.11.1 TARRED (ASPHALTED) ROADS

Financial year	Total km tarred roads	Km of new tar & paved roads	Km existing tar roads re-tarred	Km of existing tar roads re-sheeted	Km tar roads maintained
2010/11	138.5	4	0	0	135
2011/12	138.5	0	0	1	137.5

Table 86: Tarred (Asphalted) roads

4.11.2 GRAVELLED ROADS

Financial year	Total km gravel roads	Km new gravel roads constructed	Km gravel roads upgraded to tar / block paving	Km gravel roads graded/maintained
2010/11	17.5	1.5	4	17.5
2011/12	17.5	0	0	17.5

Table 87: Gravelled roads

4.11.3 CAPITAL EXPENDITURE – ROAD SERVICES

Capital Projects	2011/12		
	Budget	Adjustment Budget	Actual Expenditure
R' 000			
Construction Of Streets	1 894	1 894	1 469
Landscaping & Pedestrian: New/H	8 065	8 065	4 726
Main street Upgrade	1 277	1 277	1 530

Table 88: Capital Expenditure: Road Services

The reasons for under/over spending on the capital budget were due to the following:

- The balance under construction of streets was to be paid put to the Provincial Department of Roads and Transport as counter-funding for the upgrade of Robberg Road, Piesang Valley Road and the road to Wittedrift
- Landscaping & Pedestrian Walkway: New Horizon was due to macro structure of the NDPG project not finalized.

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- Main Street Upgrade had an appeal from the contractor who was involved and the total amount claimed and paid out exceeded the budgeted amount

4.11.4 COST OF CONSTRUCTION/MAINTENANCE

The table below shows the costs involved for the maintenance and construction of roads within the municipal area:

Financial year	Gravel			Tar		
	New	Gravel – Tar	Maintained	New	Re-worked	Maintained
	R'000	R'000	R'000	R'000	R'000	R'000
2010/11	0	4500	0	4500	0	800
2011/12	0	0	440	0	0	400

Table 89: Cost of construction/maintenance of roads

The Main Road leading into Kranshoek (Trekkeers Pad) is in need of upgrade as well as the Road into Kurland Village.

4.12 WASTE WATER (STORM WATER DRAINAGE)

The asbuilt info collection of all the eares in Bitou municipality is in progress as this will determine the major requirments of needed storm water to arears that have been necglected due to funding constrains. The strategy was to develop a Storm Water Master Plan. Funding was however not made available for the exercise. No capital funding was available for any stormwater projects except in the operational budget.

Master drainage planning should be contemplated on a catchment-wide basis, irrespective of urban and other man-made boundaries. The full environmental impact of the storm water on that catchment must be investigated and is the responsibility of the controlling regional or local authority. The hydrological processes in the specific area need to be investigated and statistical data obtained. Hydraulic routing of the storm water must be considered. In analysing storm water drainage, consideration may need to be given tothe use of open spaces like parks, sports fields, and transport circulation routes.

It is assumed that with development there is an increase in both the overall quantity and the peak flow rate of the runoff.

The major storm water system consists of all natural water ways, including springs, streams, rivers, wetlands and dams. It includes detention and retention dams and other devices constructed to control storm water. Roadways and their associated drainage structures are part of the major storm water system if they result in a significant deflection of storm

water from its natural overland flow path.

The minor storm water system consists of any measures provided to accommodate storm water runoff within sites and road reserves and convey the runoff to the major storm water system. These measures include gutters, conduits, beams, channels, road verges, small watercourses and infiltration constructions.

Storm water runoff should not be concentrated to an extent that would result in any damage to the environment during storms with a probability frequency more than 1 in 10 years and would result in only minor, repairable damage in storms with a probability frequency more than 1 in 50 years. All elements of the built and natural environment must be able to withstand a 1 in 100 year storm event without significant consequential loss and risk to property and life. Note that a "storm frequency" equates to a "probability of occurrence" of a storm event that should be used to assess the annual budget or insurance provision for remedial works, should the event occur.

In all catchments, the water courses and built storm water infrastructure must be maintained in a clean state, free of any rubbish, debris and matter likely to pose any pollution threat to the lower reaches of the water courses.

4.11.1 STORM WATER INFRASTRUCTURE

The table below shows the total kilometers of storm water maintained and upgraded as well as the kilometers of new storm water pipes installed:

Financial year	Total km Storm water measures	Km new storm water measures	Km storm water measures upgraded	Km storm water measures maintained
2010/11	79	5	0	79
2011/12	79	0	0	79

Table 90: Storm water infrastructure

4.12.2 CAPITAL EXPENDITURE – STORM WATER SERVICES

There was no capital budget available or allocated for storm water infrastructure. The operational budget was utilized for cleaning of stormwater infrastructure (drains,etc) with local labour EPWP and with jetting machines.

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4.12.3 COST OF CONSTRUCTION/MAINTENANCE

The table below indicates the amount of money spend on storm water projects:

Financial year	Storm water Measures		
	New	Upgraded	Maintained
	R'000		
2010/11	0	0	300
2011/12	0	0	360

Table 91: Cost of construction/maintenance of storm water systems

The Storm water Management Philosophy encourages the following:

- Maintain adequate ground cover at all places and at all times to negate the erosive forces of wind, water and all forms of traffic.
- Prevent concentration of storm water flow at any point where the ground is susceptible to erosion.
- Reduce storm water flows as much as possible by the effective use of attenuating devices.
- Ensure that development does not increase the rate of storm water flow above that which the natural ground can safely accommodate at any point in the sub-catchments.
- Ensure that all storm water control works are constructed in a safe and aesthetic manner in keeping with the overall development theme for the area.
- Prevent pollution of water ways and water features by suspended solids and dissolved solids in storm water discharges.
- Contain soil erosion, whether induced by wind or water forces, by constructing protective works to trap sediment at appropriate locations. This applies particularly during construction.
- Avoid situations where natural or artificial slopes may become saturated and unstable, both during and after the construction process.

The strategy is to develop a Storm Water Master Plan. Funding was however not made available for the exercise. No capital funding was available for any stormwater projects except in the operational budget.

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4.13 MUNICIPAL INFRASTRUCTURE AND OTHER GRANTS

The Municipality had a total amount of **R21 696 000** for infrastructure and other capital projects available that was received in the form of grants from the National and Provincial Governments during the 2011/12 financial year. The performance in the spending of these grants is summarised as follows:

Description	2010/11		2011/12		
	Amount Received	Amount Spent	Amount Received	Amount Spent	% Spent
	R'000				(%)
National Government:					
MIG	9 094	9 094	12 081	7 074	59
MIG-Floods	0	0	0	0	0
NDPG	14 709	10 709	9 990	14 060	141
Electricity Demand Management & Electrification	10 000	9 758	2 000	562	28
Drought Relief Grant	20 000	20 000	0	0	0
District Municipality:					
Ground water exploration	1 000	1 000	0	0	0

Table 92: Spending of grants

4.14 ADDITIONAL PERFORMANCE

The table below enclose all additional performance of the municipality:

Type of service	2010/11	2011/12
General Law enforcement		
Animals impounded	23	23
Motor vehicle licenses processed	31877	34170
Learner driver licenses processed	R 6 655 905	R 7 009 440.10
R-value of fines collected	R 5 830 205	R 4 736 650
Operational call-outs	120	286
Roadblocks held	48	14
Complaints attended to by Traffic Officers	256	162
Special Functions – Escorts	45	27
Awareness initiatives on public safety	48	3

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Type of service	2010/11	2011/12
Fire Services		
Operational call-outs	216	241
Reservists and volunteers trained	8	-
Awareness initiatives on fire safety	3	2
Town Planning and Building Control		
Building plans application processed	465	320
Total surface (m ²)	57 187.066m ²	63 452.871m ²
Approximate value	R 49 934 551.00	R 162 917 117.00
New residential dwellings	266	127
Residential extensions	232	170
New Business buildings	2	4
Business extensions	0	3
Land use applications processed	74	No record available
Social Services		
Trees planted	150	350
Veggie gardens established	0	60 Back yard (10 per ward)
Soup kitchens established or supported	Yes	Yes
Initiatives to increase awareness on child abuse	2	0
Youngsters educated and empowered	59	60
Initiatives to increase awareness on women	2	0
Women empowered	Yes	Yes
Initiatives to increase awareness on HIV/AIDS	10	7
Initiatives to increase awareness on substance abuse and high drug and alcohol related crimes	1	2
Special events hosted (World's Aids Day, World Labour day, World Disability Day, Youth Day, 16 Days of activism against women abuse)	5	5
Local economic development initiatives		
Small businesses assisted	301	2
SMME's trained	189	66
Community members trained for tourism	40	30
Local artisans and crafters assisted	39	0

Table 93: Additional Performance

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4.15 LED

4.15.1 HIGHLIGHTS: LED

The following performance highlights with regard to the implementation of the LED strategy are:

Highlights	Description
The development of a revised LED strategy and Implementation plan for the Bitou Local Municipality.	Council approved the revised strategy and implementation plan during March 2012.

Table 94: LED Highlights

4.15.2 CHALLENGES: LED

The following challenges with regard to the implementation of the LED strategy are:

Description	Actions to address
Strategic alignment sessions.	Application proposal to be submitted to funded donors.

Table 95: LED Challenges

4.15.3 ECONOMIC ACTIVITY

The table below identifies the economic activity within the different sectors:

Sector	2010/11	2011/12
Agric, forestry and fishing	76 045	85 049
Mining and quarrying	0	0
Manufacturing	231 823	237 193
Wholesale and retail trade	521 310	719 244
Finance, property, etc.	347 874	396 640
Community and social services	137 841	187 539
Infrastructure services	105 503	133 083
Total	1 420 396	1 758 748

Table 96: Economic activity by sector

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4.15.4 LED INITIATIVES

With a limited budget for LED Projects and one official assist with LED implementation the following initiative has been initiated as set out in the table below identifies the detail of the various LED initiatives in the municipal area:

Project name	Ward	Man days worked	Period	No of jobs created	Project cost (R)
Alien Clearing	7	48	3 Months	9	41 760
Alien Clearing	4 & 2	48	3 Months	12	49 440
Alien Clearing	3	16	1 Month	19	27 840
Alien Clearing	1	32	2 Months	10	28 640
Alien Clearing	1	40	3 Months	10	27 840
Alien Clearing	5	19	1 Month	10	13 920
Alien Clearing	4	20	1 Month	10	17 400
Alien Clearing	2	101	6 Months	30	176 294, 50
Roads Cleansing	4 & 2	16	2 Months	10	21 120
Stormwater Cleansing	1	21	2 Months	10	14 720
Tarring Project	7	20	1 Month	10	17 700
Alien Clearing	1	29	3 Months	10	17 540
Alien Clearing	1	29	1 Month	10	22 840
Alien Clearing	4	29	2 Months	10	21 080
Alien Clearing	5 & 6	53	3 Months	15	57 700
Alien Clearing	7	53	3 Months	15	55 380
Alien Clearing	3	53	3 Months	20	85 000

Table 97: LED initiatives

The LED strategy along with the LED Implementation plan has been completed in March 2012 by Council and is being implemented. It will focus on enhancing the local business and competitive environment and thus increase sustainable growth and development in the area and ensure that this growth is inclusive of all communities. It will in addition also focus on identifying the current resources and infrastructure that is available within the local municipal area, as well as the skills that are available; with the purpose of assessing what still needs to be done in order to allow for the growth of the economy and generate opportunities for all the stakeholders.

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Below presents the top three prioritised projects within each of the industry categories

Priority area	Description
Agriculture	Development of Fishing Industry and mari-culture activities
	Establishment of a saw mill and development of forestry and milling industry in municipal area
	Promotion and development of Viticulture and wine farming
Manufacturing	Increased provision of light industrial space in Bitou municipality
	Manufacturing activities related to Viticulture (bottling and processing plant, packaging plant)
	Dairy Farming manufacturing activities (cheese production, bottling plant)
Construction	Creating favourable investment environment for investors looking to invest in local residential market (increasing efficiency of approvals, relaxing of building costs and other taxes or levy's on construction industry)
	Facilitating increased access to formal and especially middle income and low income/social housing markets for black entrepreneurs
	Development of Bitou Coming Together Project (industrial, residential, commercial and infrastructural components)
Wholesale and Retail	Provision of space for SMME and informal trading
	Skills development and training for SMME and informal traders (mentorship programmes and basic business skills training)
	Promotion of establishment of cooperatives amongst small business owners and informal sector
Finance and business services	Establishment and operation of tourism as a central business (marketing, advertising and accessing of tourist information all performed by central organisation)
	Recreation and youth entertainment facilities and activities
	Facilitation and establishment of specialised financial services catering for SMME environment (legal services, recruitment, bookkeeping services, human resource development)
Transport	Establishment of transport network centered around Coming Together Project
	Increased use of public transport services in tourism industry
	Establishment of transport cooperatives for manufacturing and agro-processing activities (linked to agricultural and manufacturing opportunities)

Table 98: LED prioritised projects

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From the above list of prioritised projects the following three were identified by the Bitou municipality as the most important projects required for local economic development in the area. Below shows the three top prioritised projects to be undertaken by the Bitou municipality.

4.15.5 TOP PRIORITISED PROJECTS

Priority nr	Project	Industry
1	Creating favourable investment environment for investors looking to invest in local residential market (increasing efficiency of approvals, relaxing of building costs and other taxes or levy's on construction industry)	Construction
2	Increased provision of light industrial space in Bitou municipality	Manufacturing
3	Manufacturing activities related to Viticulture (bottling and processing plant, packaging plant)	Manufacturing

Table 99: TOP prioritised projects

The above table shows the three most important projects to be implemented within the municipal area. In creating an environment for the top prioritised projects that is conducive and attractive for investors especially within the residential and industrial construction industries, will predominately be the role of the local municipality. With the construction industry being one of the dominant industries within the local municipal area, the implementation of this project will help strengthen one of the areas' major industries which will also benefit the business services and wholesale and retail industries which are directly and indirectly reliant on the performance of the local construction industry. This represents the top-down approach to economic development in the Bitou Municipality.

The other 2 top prioritised projects aim at developing the local manufacturing industry, through the increased provision of industrial space as well as developing manufacturing activities related to a growing the agricultural industry in the area of viticulture. The increased provision of industrial space is thus also links with the top prioritised project through creating a more favourable environment for investment within the development of more industrial space, and prioritised project number 3 represents the bottom-up approach to economic development. This project not only falls within a value chain derived from the viticulture activities and processes, but is also aiding the diversification of the local economy away from the dominant services and construction industry to more primary and secondary economic activities of agriculture and manufacturing.

4.16 LIBRARIES

Public libraries in Bitou strived to provide relevant and efficient and effective library materials and support to all who visited the premises.

In order to do this, we received and requested sufficient materials either on user requests or identified needs submitted to the Provincial Library Services. We also received donations from the public which was distributed amongst all Bitou Libraries to place into their stock to provide excellent reading material to users.

Special services:

Special services were rendered to learners/student/ABET especially by all libraries even only two libraries have halls/activity rooms.

- Matriculates studied in the libraries and halls while preparing for trial and final examinations. We tried our best to provide study materials, old exam papers and electronic access to them.

- Students from UNISA and other tertiary institutions:

We had an open day in 2011 with UNISA where students addressed all their problems, queries and questions pertaining their different study fields.

ABET/AET

ABET/AET – Libraries provided assistance with assignments, reading/study materials, photocopies and guidance.

Extension Services:

Provide education support through outreach programs to Pre-schools/Crèches, Old Age Homes, Community groups:

Pre-school, Crèches, Schools and Old Age Homes in different community areas visited the libraries for reading, educational and recreational purposes. Block loans of library materials have been provided to them on a longer lending period based on their needs and programs.

Library Staff/group visits: (Sterreweg – New Horizons, Masizame - Kwanokuthula, Sonop (Old Age), Group of hope (Disabled – Kurland), Protea Old Age Group – Kranshoek, Formosa Garden Village – Plettenberg Bay.

Story hours: Regular story hours took place inside libraries, at schools, Pre-schools and Crèches. This outreach program helped with the development of growing children by reading stories of leisure and themes, activities (planting trees –

Arbor Day) and holiday programs.

Lodging and awareness through displays:

All Library displays in the previous year were based on the National day's calendar, themes, local/Library events, and focus on important community information/news/pamphlets.

Information Exhibitions for public education and awareness:

Focus were placed on exhibitions such as library information – books, materials, health, education, library promotion, Public/Community events/happenings.

Update the public with information and events/programs:

Agenda's, Scoping reports for public view and comments and community information (bursary information, job creation, Municipal community notices and information. All information was placed within easy access to the public/users. Plettenberg Bay library also received Government Gazettes to provide information when requested on demand.

ICT Support: The Provincial Library Services identified the need for ICT access and connectivity. The Rural Area Internet Connectivity Access project was initiated and extended to 4 Libraries in Bitou (Kwanokuthula, Kranshoek , Kurland and Plettenberg Bay. New Horizons due to the new library project could not be included yet, but will receive their ICT equipment and connectivity in October 2012. We also requested Wittedrift/ Green Valley to be part of the program and submitted will submit an application for 2013/14 Connectivity program. This is a free service to the public based on a time-limit of 30 minutes per user per day. Only printing costs for documents are charged. The provision of equipment, Installations and maintenance is the responsibility of the Provincial Library Services.

This service enables our users to communicate electronically, retrieve information, submit assignments and browse on the net (only the available sites, because there are sites that have been blocked). The ICT program enabled many people to have access to electronic information who have never had the opportunity before. It gives the staff great joy to be able to improve on services to our communities.

Public libraries where needs arise will receive more computers in Oct/Nov 2012.

Donated computers:

The Tutu foundation donated used computers in good condition to libraries (Kwanokuthula, Kurland, and Wittedrift/Green Valley. It will become the assets of Bitou Municipality and the IT section will assist to install programs/software to enable users to have access to these computers. There will be no Internet access on these computers.

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CAMI: This is math's and literacy programs for children from of Grade1 to 12 to improve their skills in these two areas. The two computers with programs are stationed in Plettenberg Bay Library, but will be transferred to New Horizons Library when it re-opens in August 2012. The project was funded by the Provincial Library Service Conditional Grant fund (literacy programs and development).

Visitors:

Many visitors in our communities used the facilities of the libraries either by borrowing materials to read for external usage whilst others preferred to use the facilities in house.

The table below enclose all additional performance of the municipality:

Type of service	2010/11	2011/12
Number of Libraries	5	5 Libraries and 1 depot service. New Horizons library was upgraded and completed in 2012. Operations in new library started 1 August 2012.
Library members	17 351	20591
Books circulated	168 270	153466. New Horizons did not have any adult services in 2011until 30 June 2012, which had an impact on statistics.
Exhibitions held	264	441
Internet access points	3 Libraries with facilities	4 Libraries with facilities. Kwanokuthula, Kranshoek, Kurland, Plettenberg Bay. New Horizons – October 2012. Wittedrift depot – 2013.
New library service points or Wheelie Wagons	No record	None. Earmark Covie and Harkerville for future services
Children programmes	Included in figure below	Included in figure below
Visits by school groups	432	1126
Book group meetings for adults	6	21
Primary and Secondary Book Education sessions	Monthly library promotion – new membership & user orientation – 10 Bitou Ten Schools, Private Schools & Tertiary Education Centers	Library promotion/ outreach programs and Services to educational institutions –pre-schools, Crèches, Bitou Ten schools, private schools, Bitou Campus UNISA

Table 100: Library STATS

Library Projects for the 2011/12 financial year:

1. New Horizons library project:

This project was steered/monitored/managed by Strategic Planning and Public Works. The Manager Libraries did not handled finances, but assist in library requirements and needs based on standards for public libraries.

2. Furniture NDPG:

The Manager Libraries was requested by Project Management to indicate the furniture needs for the library. The capital funds were utilised for the purpose. The contractor did the procurement and payment for furniture. The Manager Libraries had to check that all delivered furniture was listed on delivery note by the Service provider. All documents were handed to the contractor for procurement purposes. Copies are in the file which the Manager Libraries kept in the New Horizons project file.

3. Library Detection system – New Horizons library:

The procurement was done by the placing of tenders. The successful bidder was in charge of the installation of all equipment. A copy of the Tax Invoice by the Service Provider is kept for records in the New Horizons project file. The budgeted amount of R170 000.00 has not been overspend. Total expenditure was R142 844.00.

4. Vehicle:

The budgeted amount was overspent by R1500.00.

The tender/procurement was done by the Fleet section of Bitou Municipality.

Priorities of the above 4 projects:

1. New Horizons project – upgrading of the library for the community of Bitou.
2. Furniture: Specifications received from the Provincial library Services were used as a guideline. Furniture was procured as indicated on the plan provided by project Management.
3. Library Detection system. To protect the library materials and E-library equipment this was essential to install the security gates.

4.17 SERVICE PROVIDERS STRATEGIC PERFORMANCE

Section 76(b) of the MSA states that KPIs should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement. A service provider:

- means a person or institution or any combination of persons and institutions which provide to or for the benefit of the local community
- External service provider means an external mechanism referred to in section 76(b) which provides a municipal service for a municipality
- Service delivery agreement means an agreement between a municipality and an institution or person mentioned in section 76(b) in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality

During the year under review the municipality did not appoint any service providers who provided municipal services to or for the benefit of the local community on behalf of the municipality and therefore this report contains no such details. All other contract appointments are regularly monitored and ensured, that the requirements of the contract is complied with.

Chapter 5

Functional Performance



BITOU LOCAL MUNICIPALITY 1st DRAFT ANNUAL REPORT 2011/12

CHAPTER 5: FUNCTIONAL PERFORMANCE

This chapter provides information on the functional performance of the municipality on the implementation of the Top Layer and Departmental SDBIP for 2011/12.

The municipal functional areas are as indicated below:

Municipal Function	Municipal Function Yes / No
Constitution Schedule 4, Part B functions:	
Air pollution	No
Building regulations	Yes (Strategic Services)
Child care facilities	No
Electricity and gas reticulation	No
Fire fighting services	Yes (Community Services)
Local tourism	Yes (Strategic Services)
Municipal airports	Yes (Corporate Services)
Municipal planning	Yes (Strategic Services)
Municipal health services	Yes (Shared service Eden DM)
Municipal public transport	Yes (Municipal Infrastructure Services Development)
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes (Municipal Infrastructure Services Development)
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	Yes (Community Services)
Stormwater management systems in built-up areas	Yes (Municipal Infrastructure Services Development)
Trading regulations	Yes (Strategic Services)
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes (Municipal Infrastructure Services Development)
Constitution Schedule 5, Part B functions:	
Beaches and amusement facilities	Yes (Community Services)
Billboards and the display of advertisements in public places	Yes (Strategic Services)
Cemeteries, funeral parlours and crematoria	Yes (Community Services)
Cleansing	Yes (Community Services)
Control of public nuisances	Yes (Community Services)
Control of undertakings that sell liquor to the public	Yes (Community Services)

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Municipal Function	Municipal Function Yes / No
Facilities for the accommodation, care and burial of animals	Yes (Community Services)
Fencing and fences	Yes (Strategic Services)
Licensing of dogs	No
Licensing and control of undertakings that sell food to the public	Yes (Strategic Services)
Local amenities	Yes (Community Services)
Local sport facilities	Yes (Community Services)
Markets	No
Municipal abattoirs	No
Municipal parks and recreation	Yes (Community Services)
Municipal roads	Yes (Municipal Infrastructure Services Development)
Noise pollution	No
Pounds	No
Public places	Yes (Strategic Services) (Community Services)
Refuse removal, refuse dumps and solid waste disposal	Yes (Community Services)
Street trading	Yes (Strategic Services)
Street lighting	Yes (Municipal Infrastructure Services Development)
Traffic and parking	Yes (Municipal Infrastructure Services Development)

Table 101: Functional Areas

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5.1 PERFORMANCE HIGHLIGHTS PER FUNCTIONAL AREAS

Directorate/ Functional area	Sub Directorate	Highlights
Office of the Municipal Manager	Internal Audit	Municipal Wide Risk Assessments conducted for 2010/2011 and risk registers were compiled by the Internal Audit Unit in the absence of Risk Management Unit.
		A three year strategic and one year operational audit plans were compiled based on the risk assessment and approved by the Audit Committee.
		The Audit Committee Charter was developed and approved by the Council. The internal Audit Charter was also developed and approved by the Audit Committee.
		The operational risk based audit plan was implemented by the Internal Audit function. Additional audits, reviews or investigations were also conducted, as requested by management and audit committee, which were not part of the plan.
		Eleven internal audit reports were issued to management and the audit committee and also tabled at council.
	Risk Management	Risk assessment sessions were conducted with various departments.
		Risk registers were compiled for each department to manage.
Corporate Services	Human Resource	The Organisational Design and Review which commenced in January 2012 and will be finalized by 31 August 2012
		TASK was implemented in September 2011.
Financial Services	Income	Credit Control, Rates, Debt Collection, Meter Reading.
	Budget and Treasury	Monthly reporting, quarterly reporting, mid-year assessment, adjustment Budget, Annual Budget, Annual Financial Statements, Asset and Liability Management
Community Services	Housing & Beaches	2 Blue flag status
		Completion of 207 top structures and 401 serviced sites
		Govan Mbeki Human Settlements awards 2012
	Library Services	Building of New Horizon library
	Public Safety: Fire	New fire engine was bought
	Public Safety: Disaster Management	Attended to all disaster challenges
Municipal Services & Infrastructure Development	Civil Works	Upgrading of Keurbooms water pump station
		Civil Services for housing scheme in Kranshoek
		Completion of New Horizons Library (central library)
	Electrical & Mechanical Service	Additional 2MW made available by ESKOM on the Robberg Sub station
		New 11kV cable from MS Stableford to Tromonto
		26 streetlight in Kwanokuthula
		Walkway lights New Horizons precinct
	Roads Infrastructure	Reseal 1.3km of Roads

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Directorate/ Functional area	Sub Directorate	Highlights
		New Horizons (Salie & Orange Grove)
		Kwanokuthula (Angola & Sishuba Street)
	Water Quality Control	Achieving Blue Drop Status
		Achieving Green Drop Status and receiving the
		Installation of new 75 KW aerators at the main sewer works and the 22KW Kurland treatment works
		Achieving Blue Drop Status
Strategic Services	Building Control & Infrastructure Maintenance	Successfully implemented the Amended SANS 10400 National Building Regulations and Building Standards Act, also the roll-out of new building plan application forms as to set a uniform application format as required by the National regulator for Compulsory Specifications (NRCS)
	IDP	The IDP Process Plan was approved on time
		The 2012/2017 IDP was adopted.
		Public Participation processes were extremely well attended in all wards.
	LED	The development of a revised LED strategy and Implementation plan for the Bitou Local Municipality.
	Tourism	Establishment of a tourism policy and strategic plan

Table 102: Performance highlights per functional area

Chapter 6

Financial Performance



BITOU LOCAL MUNICIPALITY 1st DRAFT ANNUAL REPORT 2011/12

CHAPTER 6: FINANCIAL PERFORMANCE

6.1 NATIONAL KEY PERFORMANCE INDICATORS - MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area namely Municipal Financial Viability and Management.

KPA & INDICATOR	2009/10	2010/11	2011/12
Debt coverage ((Total operating revenue-operating grants received)/debt service payments due within the year)	1117%	877%	784%
Service debtors to revenue – (Total outstanding service debtors/ revenue received for services)	15%	18%	20%
Cost coverage ((Available cash+ investments)/ Monthly fixed operating expenditure	90%	73%	128%

Table 103: National KPI's for financial viability and management

6.2 FINANCIAL VIABILITY HIGHLIGHTS

Highlight	Description
Unqualified Audit Opinion	The Annual Financial Statements for the 2011/2012 financial year was submitted to the Auditor-general for audit purposes on 31 August 2012. In the opinion of the auditor general, the financial statements present fairly, in all material respects, the financial position of the Bitou Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DORA.
Revenue Enhancement programme	The municipality embarked on revenue enhance project and have appointed Price Waterhouse Coopers (PWC) on a 3 year contract during the 2010/2011 financial year to assist in this regard. Additional revenue identified by this project for the 2011/2012 financial year amounted to about R6531210

Table 104: Financial Viability Highlights

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6.3 FINANCIAL VIABILITY CHALLENGES

Challenge	Action to address
Key Vacancies not filled: CFO & Senior Managers. The following positions were vacant (and still is) for the last 3-6 months of the financial year: <ul style="list-style-type: none"> Chief Financial Officer Manager: Budget and Treasury Office Manager: Supply Chain Management Manager: Expenditure Management Supply Chain Practitioner 	As an interim solution, certain staff/consultants were appointed to act in these positions. Council is currently (2012/2013) in the process of advertising these posts to do the necessary appointments.
Increase in Outstanding Debtors	The municipality made provision for the outstanding debt in the 2011/2012 budget.
The cash flow position has weakened with R8.5 million since 2010/11	The 2012/13 Budget was approved with increased tariffs and savings to eradicate the cash shortage

Table 105: Financial Viability Challenges

6.4 FINANCIAL SUSTAINABILITY

6.4.1 OPERATING RESULTS

The table below shows a summary of performance against budgets

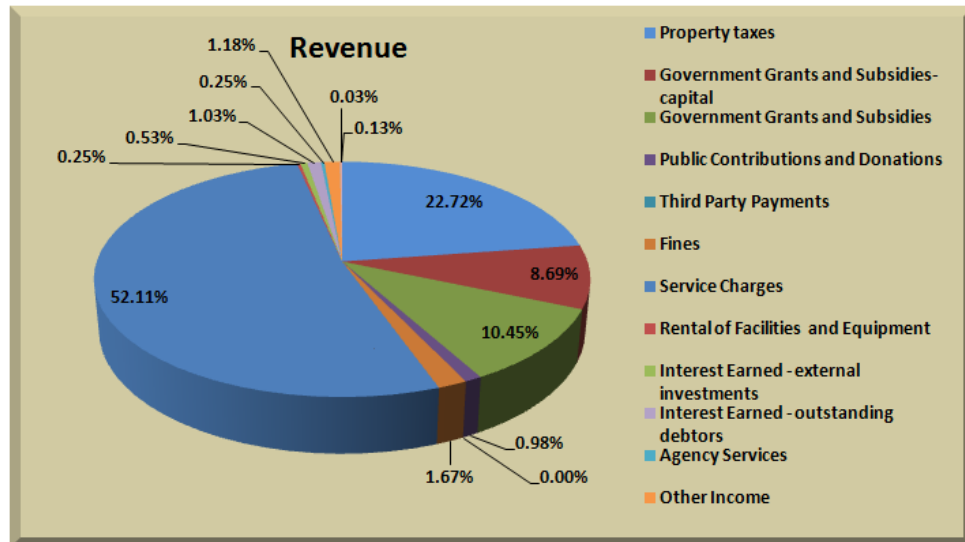
Financial Year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	%	Budget	Actual	Diff.	%
	R'000				R'000			
2009/10	320 116	291 390	(28 726)	(8.9)	259 629	266 006	(6 377)	(2.5)
2010/11	375 732	328 731	(47 001)	(12.5)	282 355	305 488	(23 133)	(8.2)
2011/12	322 743	307 190	(15 404)	(5)	303 250	298 231	(5 018)	(1.7)

Table 106: Performance against budgets

The municipality received **R307million** revenue for the year of which **R298 million** was utilized for operating expenditure. Under collection of revenue is mainly due to the unspent portion of the housing government grant which were not recognized as income. Employee related cost accounted for the majority (33, 8%) of the total expenditure, followed by Bulk purchases which accounted for 19% of the total expenditure incurred. A major contributor to the under spending was Operating grant expenditure which is the counter effect of the unspent housing grant as mentioned the reason for under collection of revenue.

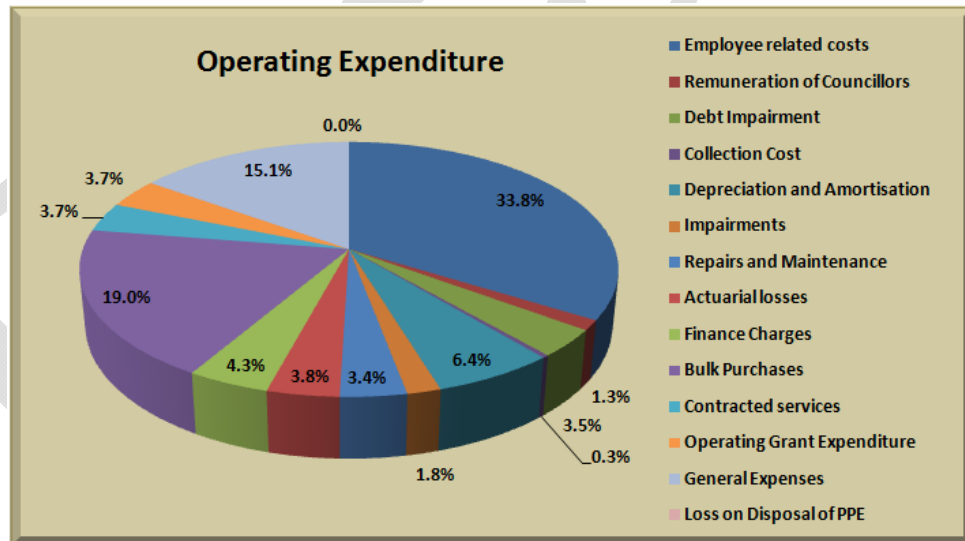
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The following graph indicates the various types of revenue items in the municipal budget for 2011/12



Graph 11: Revenue

The following graph indicates the various types of expenditure items in the municipal budget for 2011/12



Graph 12: Operating expenditure

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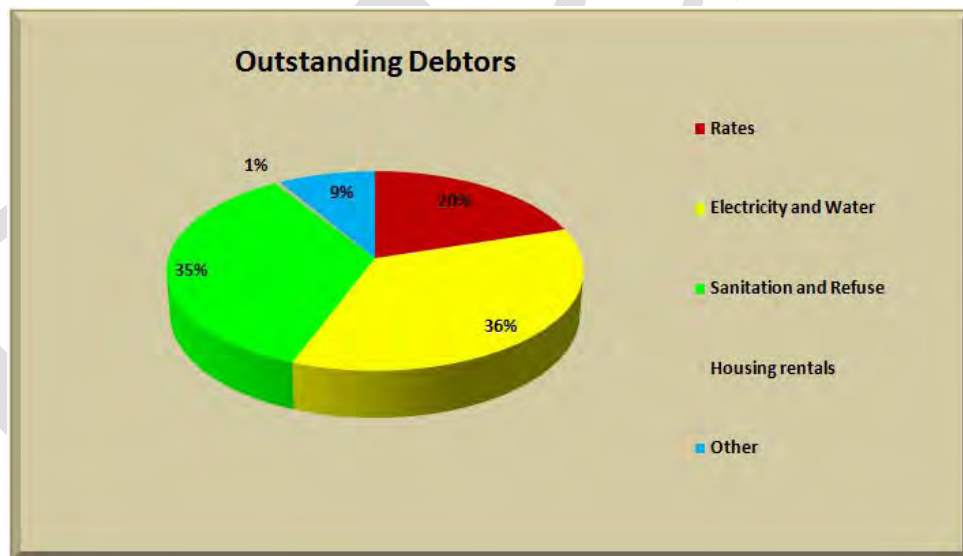
6.4.2 OUTSTANDING DEBTORS

A) GROSS OUTSTANDING DEBTORS PER SERVICE

Financial year	Rates	Trading services	Economic services	Housing rentals	Other	Total
		(Electricity and Water)	(Sanitation and Refuse)			
	R'000					
2009/10	12 746	16 228	15 245	1 416	5 102	50 737
2010/11	16 009	22 969	23 298	310	5 136	67 722
2011/12	17 211	30 590	30 234	439	7 302	85 776
Difference	1 202	7 621	6 936	129	2 166	18 054
% growth year on year	20	36	35	1	9	100

Table 107: Gross outstanding debtors per service

The following graph indicates the total outstanding debt per type of service for 2011/12



Graph 13: Debt per type of service

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B) TOTAL DEBTORS AGE ANALYSIS

Financial year	Less than 30 days	Between 30-60 days	Between 60-90 days	More than 90 days	Total
	R'000				
2009/10	15 889	3 370	1 923	29 555	50 737
2010/11	17 277	2 567	3 459	28 068	51 371
2011/12	16 661	3 999	3 090	44 028	67 778
Difference	(616)	1 432	(369)	15 960	16 407
% growth year on year	(3.6)	55.7	(10.7)	57	31.94

Table 108: Service debtor age analysis

Note: Figures exclude provision for bad debt

6.4.3 VIABILITY INDICATORS

A) LEVEL OF RELIANCE ON GRANTS AND SUBSIDIES

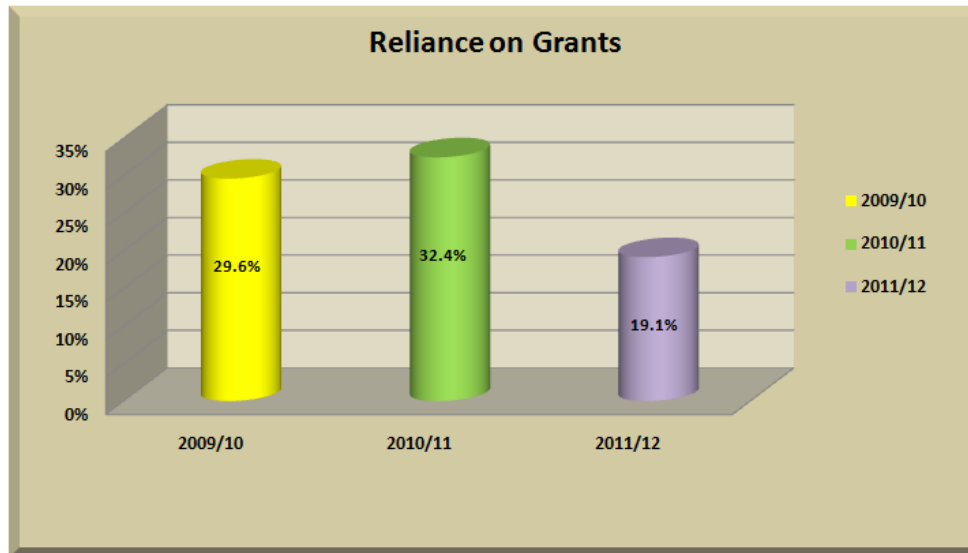
Financial year	Total grants and subsidies received	Total Operating Revenue	Percentage
	R'000		(%)
2009/10	86 716	293 201	29.6
2010/11	107 607	331 884	32.4
2011/12	58 810	307 339	19.1

Table 109: Reliance on grants

The municipality is not dependent on government grants as the decrease in the percentage grants to total revenue indicated.

BITOU LOCAL MUNICIPALITY 1st DRAFT ANNUAL REPORT 2011/12

The following graph indicates the municipality's reliance on grants as percentage for the last three financial years



Graph 14: Reliance on grants as %

B) LIQUIDITY RATIO

Financial year	Net current assets	Net current liabilities	Ratio
	R'000		
2009/10	59 432	80 411	0.74:1
2010/11	59 861	120 049	0.50:1
2011/12	75 003	66 149	1.1:1

Table 110: Liquidity ratio

The ratio indicates a significant improvement from the previous financial year. Although the municipality has sufficient funds to cover its short term liabilities, the ideal would be to increase the ratio to 1:1

The following table provides the details on the audit outcomes for the past two financial years with the correctives steps implemented:

BITOU LOCAL MUNICIPALITY 1st DRAFT ANNUAL REPORT 2011/12

6.4.4 AUDITED OUTCOMES

Year	2008/2009	2009/2010	2010/11	2011/12
Status	Unqualified	Unqualified	Unqualified	Unqualified

Table 111: Audit outcomes

The following table provides the details on the audit outcomes for the past two financial years with the correctives steps implemented:

2010/11	
Issue raised	Corrective step implemented
<u>Emphasis of matter:</u>	
<u>Restatement of corresponding figures</u>	
As disclosed in note 36 to the financial statements, the corresponding figures for 30 June 2010 and 30 June 2009 have been restated as a result of correction of errors in terms of GRAP 3. The municipality utilised Transitional Provisions of Directive 4, issued by the Accounting Standards Board, during the year ended 30 June 2010 in the financial statements of the Bitou Municipality	This will occur annually as per the GRAP standard where corrections are to be made.
<u>Material Losses</u>	
As disclosed in note 42.4 to the financial statements, material water losses of 36.40% or 951 894 kilolitres with a value of R1 854 757 were incurred, as well as material electricity losses of 13.22% or 13 660 881 Kwh with a value of R1 751 740. As disclosed in note 31 to the financial statements, material impairments to the value of R12 124 452 have been incurred in respect of trade receivables.	The council has appointed a firm to implement a revenue enhancement project. This project will also determine whether all users that receive services are measured and billed accordingly. The council is in the process of advertising for handheld metering devices for meter reading, to minimise incorrect reading of meters.
<u>Material under spending of the budget</u>	
As disclosed in note 41.1 to the financial statements, the municipality has materially under spent its capital budget by R37 765 261 (28%). The majority of the under spending relates to service delivery in terms of housing as the purchase transaction for additional land was not yet concluded at year-end although the amount has already been committed to this project.	The council is to improve its oversight role by establishing a finance and governance oversight committee, to monitor the performance of the administration.
<u>Other Matters</u>	
Non-compliance with applicable legislation	
Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA)	
Financial Statements The accounting officer did not submit the annual financial statements of the municipality for auditing, within two months after the end of the financial year as required by section 126(1)(a) of the Municipal Finance Management Act.	This council will ensure that the financial statement will be presented as legally determined.
Expenditure Management	The financial delegations of council together internal controls are

BITOU LOCAL MUNICIPALITY 1st DRAFT ANNUAL REPORT 2011/12

2010/11	
Issue raised	Corrective step implemented
The accounting officer did not take reasonable steps to prevent unauthorised expenditure, irregular expenditure and/or fruitless and wasteful expenditure, as required by section 62(1)(d) of the Municipal Finance Management Act.	to be review of
Transfers and conditional grants The allocations for various projects were utilised for purposes other than those stipulated in their respective schedules or Gazetted Division of Revenue Act framework in contravention of the requirements of section 15(1) of the Division of Revenue Act.	This council is to ensure that Grant fund is to be expensed as per the set conditions.
Internal audit The internal audit processes and procedures did not include assessments of the extent to which the municipality's performance measurements were reliable in measuring the performance of the municipality on key as well as general performance indicators as required by Municipal Planning and Performance Management Regulation 14.	With the implementation of a performance management system at this authority as is legally prescribed, this council will ensure that necessary institutional capacity is in place to measure and monitor organizational performance.
Procurement and contract management Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days as per the requirements of SCM regulation 22(1) & 22(2). Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulation 17(a) & (c). Awards were made to providers who are persons in service of the municipality in contravention of SCM regulations 44. Furthermore the providers failed to declare that he/she was in the service of the municipality as required by SCM regulation 13(c). Awards were made to suppliers who did not submit a declaration on their employment by the state or their relationship to a person employed by the state as per the requirements of Municipal SCM regulation 13(c).	The functioning of the SCM unit is to be reviewed together with the financial delegations for the procurement of goods and services to ensure legal compliance. This will include the review of the organizational structure where specific attention will be given to the segregation of duties to ensure the proper functioning of the unit so that effective internal control is in place.

Table 112: 2010/11 Detail on audit outcomes

BITOU LOCAL MUNICIPALITY 1st DRAFT ANNUAL REPORT 2011/12

2011/12	
Issue raised	Corrective step implemented
<u>Emphasis of matter:</u>	
<u>Restatement of corresponding figures</u>	
As disclosed in note 37 to the financial statements, the corresponding figures for 30 June 2011 and 30 June 2010. Have been restated as a result of errors discovered during 2012 in the financial statements of Bitou Municipality at, and for the year ended 30 June 2011 and 30 June 2010.	This will occur annually as per the GRAP standard where corrections are to be made.
<u>Material Losses</u>	
As disclosed in note 43.4 to the financial statements, the municipality suffered water losses of 16.13% or 457 665 kilolitres with a value of R174 317 during the year under review.	This represents a vast improvement to the previous financial year. The majority of the remaining 16.13% losses are mainly due to unmetered water in informal settlements and the cost to install water meters there do not justified the income that will be extra received .
As disclosed in note 31 to the financial statements, material losses to the amount of R10 467 713 were reported by the municipality as a result of the impairment of irrecoverable trade receivables. A further R1 205 061 related to bad debts was written off by council	This is a compulsory legal obligation in terms of GRAP and the MFMA. However , Council also embarked on an intensified effort to more aggressively apply their credit control measurements to improve debt collection
<u>Material under spending of the budget</u>	
As disclosed in note 42.3 to the financial statements, the municipality has materially under spent its capital budget by R16 129 214 (30%). The majority of the under spending relates to the NDPG project's next phase in respect of Road Transport, the construction of the swimming pool and construction of waste transfer station which did not realize in terms of sport and recreation and waste management respectively, which had been planned for the 2011/12 year and will now be rolled over to the following financial period.	The main reason for under spending of the capital budget was due to saving measurements and efforts to stabilize the decrease in cash flow. With the envisage improvement of the cash flow position due to corrective budget measures, the under spending in capital projects will be rectified.
<u>Other Matters</u>	
Non-compliance with applicable legislation	
Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA)	
The auditor general was unable to report on the usefulness and reliability of the annual performance report of Bitou Municipality as it was not prepared as required by or section 46 of the MSA and section 121(3)(c) of the MFMA.	A comprehensive performance management system in terms of chapter 6 of the Municipal Systems Act will be instituted and operational in the 2012/13 financial year.
The municipality did not establish a performance management system in line with the priorities, objectives, indicators and targets contained in its integrated development plan and did not clarify the roles and responsibilities of each role-player in the functioning of the system and did not determine the frequency of reporting and the lines of accountability for performance and did not relate to the municipality's performance management processes and did not provide for procedures by which the system is linked to the municipality's integrated development planning processes, as required by section 38 (a) of the MSA and Regulation 7(2)(c)(e)(f)(g) of the MPPMRs.	Same as above

BITOU LOCAL MUNICIPALITY 1st DRAFT ANNUAL REPORT 2011/12

2011/12	
Issue raised	Corrective step implemented
The municipality did not establish mechanisms to monitor and review its performance management system, as required by section 40 of the MSA.	Same as above
The 2010/2011 annual report was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127(2) of the MFMA.	The report was late due to the very late receipt of the audit report. The 2012/13 annual report will be tabled in the prescribed timeframe
The performance audit committee did not make recommendations to the council in respect of the performance management system, as required by Regulation 14(4) (a) (ii) of the MPPMRs.	A newly audit committee is appointed and measures will be taken to see that the provision of the regulations will be executed

Table 113: 2011/12 Detail on audit outcomes

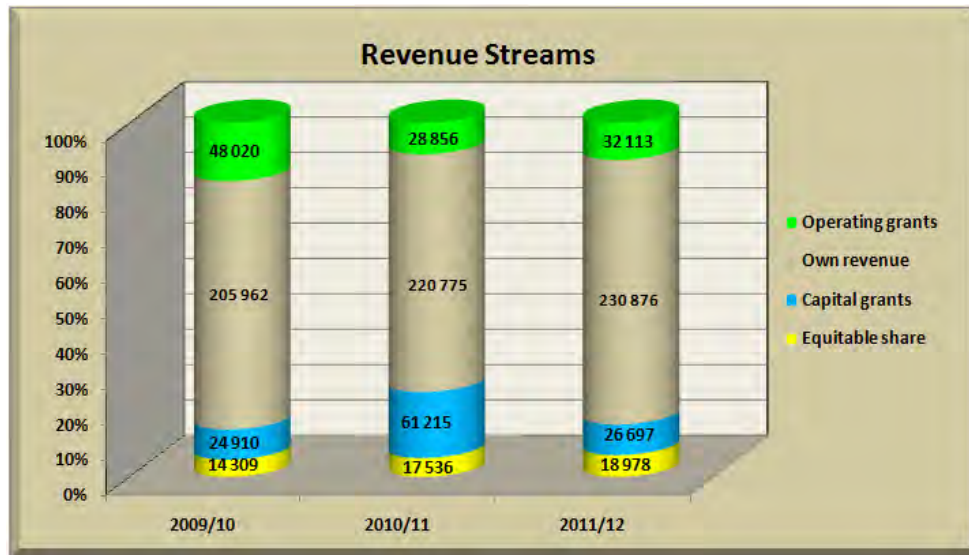
6.4.5 EQUITABLE SHARE VS TOTAL REVENUE

Description of revenue	Amount received 2009/10	Amount received 2010/11	Amount received 2011/12
	R'000		
Equitable share	14 309	17 536	18 978
Capital grants	24 910	61 215	26 697
Operating grants	48 020	28 856	32 113
Own revenue	205 962	220 775	230 876
Total revenue	293 201	328 382	308 664

Table 114: Equitable share vs. total revenue

BITOU LOCAL MUNICIPALITY 1st DRAFT ANNUAL REPORT 2011/12

The following graph indicates the various revenue streams of the municipality for the past three financial years



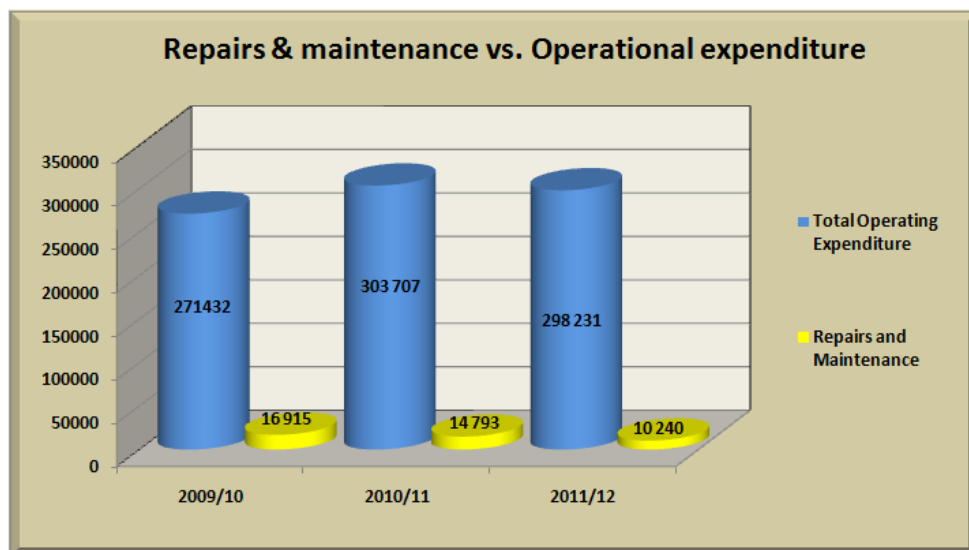
Graph 15: Revenue streams

6.4.6 REPAIRS AND MAINTENANCE

Description	2009/2010	2010/11	2011/12
	R'000		
Total Operating Expenditure	271432	303 707	298 231
Repairs and Maintenance	16 915	14 793	10 240
% of total OPEX	6.2	4.9	3.4

Table 115: Table 133: Repairs & maintenance as % of total OPEX

The following graph indicates the percentage of the budget that was spent on repairs & maintenance in relation to the operational budget



Graph 16: Repairs and maintenance as percentage of OPEX

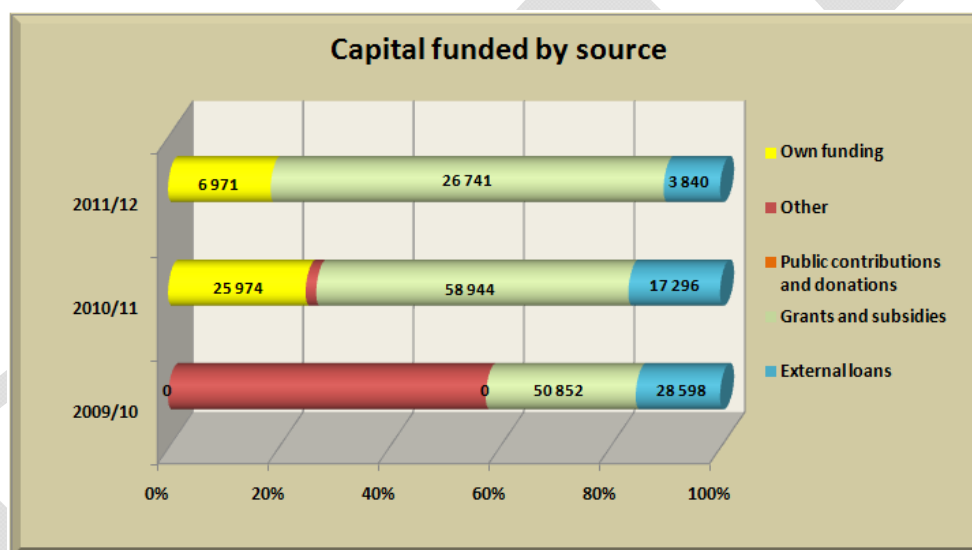
BITOU LOCAL MUNICIPALITY 1st DRAFT ANNUAL REPORT 2011/12

6.4.7 CAPITAL FUNDED BY SOURCE

Description Source	2009/10	2010/11	2011/12
	R'000		
External loans	28 598	17 296	3 840
Grants and subsidies	50 852	58 944	26 741
Public contributions and donations	0	0	0
Own funding	28,325	25 974	6 971
Other	107 775	2 007	0
Total capital expenditure	107 775	104 221	37 552

Table 116: Capital funded by source

The following graph indicates capital expenditure funded by the various sources



Graph 17: Capital funded by source

LIST OF ABBREVIATIONS

AG	Auditor-General
CAPEX	Capital Expenditure
CBP	Community Based Planning
CFO	Chief Financial Officer
DPLG	Department of Provincial and Local Government
DWAF	Department of Water Affairs and Forestry
EE	Employment Equity
GAMAP	Generally Accepted Municipal Accounting Practice
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
IDP	Integrated Development Plan
IFRS	International Financial Reporting Standards
IMFO	Institute for Municipal finance officers
KPA	Key Performance Area
KPI	Key Performance Indicator
LED	Local Economic Development
MAYCOM	Executive Mayoral Committee
MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MMC	Member of Mayoral Committee
MSA	Municipal Systems Act No. 32 of 2000
MTECH	Medium Term Expenditure Committee
NGO	Non governmental organisation

NT	National Treasury
OPEX	Operating expenditure
PMS	Performance Management System
PT	Provincial Treasury
SALGA	South African Local Government Organisation
SAMDI	South African Management Development Institute
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework
CPD	Continues Professional Development

Draft

BITOU

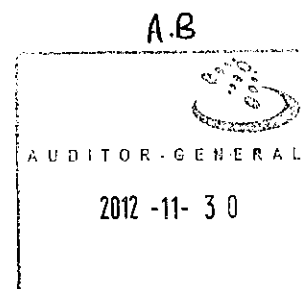
MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

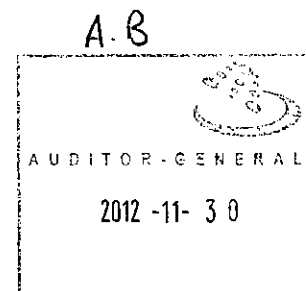
30 JUNE 2012



BITOU LOCAL MUNICIPALITY

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BITOU MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

NATURE OF BUSINESS

Bitou Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)
This in effect means that the municipality provide services like water, electricity, sewerage and sanitation to the community.
Bitou Municipality also serves as an agent to Provincial Government in providing Housing to the community

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Bitou Municipality includes the following areas:

Plettenbergbay

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	<i>Councillor M Booysen</i>
Deputy Executive Mayor	<i>Councillor A. B. van Rhyner</i>
Speaker	<i>Councillor C.L. Dreyer</i>
Mayoral Committee Member	<i>Councillor A.R. Olivier</i>
Mayoral Committee Member	<i>Councillor E.E. Paulse</i>

ORDINARY COUNCILLORS

Councillor	<i>Councillor N M De Waal</i>
Councillor	<i>Councillor L Jonas</i>
Councillor	<i>Councillor M M Mbali</i>
Councillor	<i>Alderman LL Mvimbi</i>
Councillor	<i>Councillor L M Seyisi</i>
Councillor	<i>Councillor JJN Stuurman</i>
Councillor	<i>Councillor SE Gcabayi</i>
Councillor	<i>Councillor JWG Brummer</i>

ACTING MUNICIPAL MANAGER

Mr A Paulse

ACTING CHIEF FINANCIAL OFFICER

Mr AJ Bredenhann

REGISTERED OFFICE

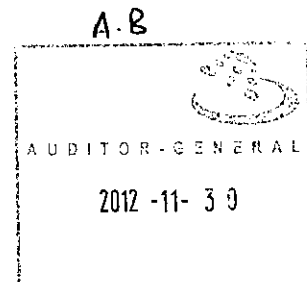
Sewell Street, Plettenbergbay, 6600
Private Bag X 1002. Plettenbergbay, 6600

AUDITORS

Office of the Auditor General

PRINCIPLE BANKERS

Standard Bank, Plettenbergbay



2011 / 2012

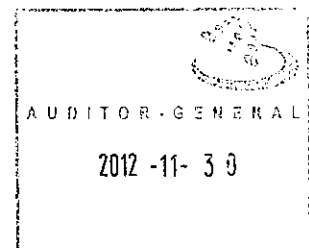
MEMBERS OF THE BITOU LOCAL MUNICIPALITY

WARD

COUNCILLOR

1 Valley/Keurbooms/Cowie/Uplands	<i>Councillor N M de Waal</i>
2 Plett South & North	<i>Councillor C L Dreyer</i>
3 Qolweni/Bossiesgif/Pinetree/Portion of New Horizons	<i>Councillor L M Seyisi</i>
4 Portion of New Horizons/Portion of KwaNokuthula	<i>Councillor L Jonas</i>
5 Kwanokuthula	<i>Councillor M M Mbali</i>
6 Kwanokuthula	<i>Councillor S E Gcabayi</i>
7 Kranshoek/Harkerville/portion of KwaNokuthula	<i>Councillor J J N Stuurman</i>

A.B



APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 79. Therefore, In terms of Section 126 (1) of the Municipal Finance Management Act, I have signed it on behalf of the Municipality.

Mr A Paulse

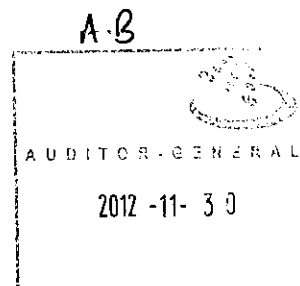
Acting Municipal Manager

Date

BITOU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

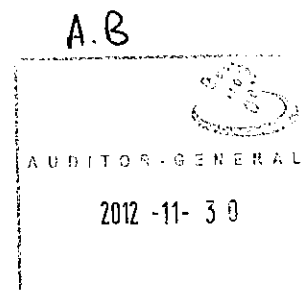
	Notes	2012 R	(Restated) 2011 R
NET ASSETS AND LIABILITIES			
Net Assets		448,300,511	439,192,889
Capital Replacement Reserve	2	-	300,001
Housing Development fund	2	-	1,041,622
Accumulated Surplus/(Deficit)		448,300,511	437,851,266
Non-Current Liabilities		179,618,508	142,768,642
Long-term Liabilities	3	114,194,733	94,754,432
Employee benefits	4	57,541,072	40,667,623
Non-Current Provisions	5	7,882,702	7,346,587
Current Liabilities		97,888,705	123,117,862
Consumer Deposits	6	4,476,945	4,281,691
Current Employee benefits	7	14,754,777	14,516,810
Provisions	8	850,000	-
Payables from exchange transactions	9	20,934,324	58,952,152
Unspent Conditional Government Grants and Receipts	10	40,914,812	33,980,814
Unspent Public Contributions	11	3,646,550	2,982,630
Taxes	12	2,345,377	-
Operating Lease Liability	22	521,923	552,476
Current Portion of Long-term Liabilities	3	9,443,996	7,851,289
Total Net Assets and Liabilities		725,807,724	705,079,393
ASSETS			
Non-Current Assets		650,655,276	638,930,089
Property, Plant and Equipment	13	544,148,627	527,957,718
Investment Property	14	97,254,277	97,422,384
Intangible Assets	15	4,765,648	9,287,460
Non-Current Investments	17	4,275,037	3,971,733
Long-Term Receivables	18	211,686	290,794
Current Assets		75,152,448	66,149,304
Inventory	19	1,908,362	2,180,046
Non Current Assets Held for sale	16	-	37,500
Receivables from exchange transactions	20	31,290,858	25,154,466
Receivables from non-exchange transactions	21	12,972,726	11,576,049
Unpaid Conditional Government Grants and Receipts	10	280,000	-
Operating Lease Asset	22	2,887	4,117
Taxes	12	-	10,438,207
Current Portion of Long-term Recievables	18	77,680	75,307
Cash and Cash Equivalents	23	28,619,934	16,683,612
Total Assets		725,807,724	705,079,393



BITOU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

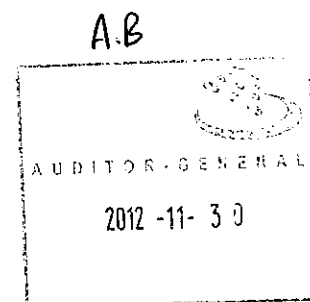
	Notes	2012 (Actual) R	2011 (Restated) R	Correction of error R	2011 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		136,781,553	182,438,136	1,048,007	181,390,129
Taxation Revenue		69,812,089	65,414,837	1,048,007	64,366,830
Property taxes	24	69,812,089	65,414,837	1,048,007	64,366,830
Transfer Revenue		61,825,808	111,243,179	-	111,243,179
Government Grants and Subsidies-capital	25	26,696,693	61,215,142	-	61,215,142
Government Grants and Subsidies	25	32,113,444	46,391,679	-	46,391,679
Public Contributions and Donations		3,015,671	3,636,357	-	3,636,357
Other Revenue		5,143,656	5,780,121	-	5,780,121
Third Party Payments		-	54,988	-	54,988
Fines		5,143,656	5,725,133	-	5,725,133
Revenue from Exchange Transactions		170,557,298	149,446,230	2,454,240	146,991,990
Service Charges	27	160,141,637	139,480,025	2,454,240	137,025,785
Rental of Facilities and Equipment		763,295	900,588		900,588
Interest Earned - external investments		1,613,757	1,183,619		1,183,619
Interest Earned - outstanding debtors		3,161,664	2,779,932		2,779,932
Agency Services		760,645	-		-
Other Income	28	3,630,946	5,040,831		5,040,831
Licences and Permits		94,461	61,235		61,235
Gain on disposal of Property, Plant and Equipment		390,893	-		-
Total Revenue		307,338,851	331,884,366	3,502,247	328,382,119
EXPENDITURE					
Employee related costs	29	100,821,794	102,158,196		102,158,196
Remuneration of Councillors	30	3,735,333	2,992,823		2,992,823
Debt Impairment	31	10,467,713	12,124,452		12,124,452
Collection Cost		995,711	1,226,434		1,226,434
Depreciation and Amortisation	32	19,015,151	16,591,128	49,709	16,541,420
Impairments	33	5,229,810	266,064		266,064
Repairs and Maintenance		10,240,307	14,792,999		14,792,999
Actuarial losses	4	11,195,964	5,967,722		5,967,722
Finance Charges	34	12,791,947	10,495,871		10,495,871
Bulk Purchases	35	56,600,095	50,581,992		50,581,992
Contracted services		10,998,681	8,472,268		8,472,268
Operating Grant Expenditure		10,998,745	27,980,900		27,980,900
General Expenses	36	45,115,476	49,371,031		49,371,031
Loss on Disposal of PPE		24,500	734,365		734,365
Total Expenditure		298,231,229	303,756,266	49,709	303,706,558
NET SURPLUS FOR THE YEAR		9,107,622	28,128,100	3,452,539	24,675,561



BITOU LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

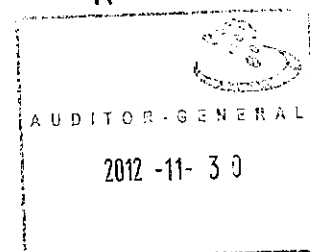
	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R		R	R
2010				
Balance at 1 JULY 2010	1,041,622	1,060,218	406,037,365	408,139,205
Correction of error	-	-	2,925,584	2,925,584
2011				
Restated Balance at 1 JULY 2010	1,041,622	1,060,218	408,962,949	411,064,789
Net Surplus for the year	-	-	28,128,100	28,128,100
Property Plant and Equipment purchased	-	(21,294,022)	21,294,022	-
Transfer to CRR	-	20,533,805	(20,533,805)	-
Restated Balance at 30 JUNE 2011	1,041,622	300,001	437,851,266	439,192,889
2012				
Net Surplus for the year	-	-	9,107,622	9,107,622
Transfer from CRR -(Fund closed)	-	(300,001)	300,001	-
Transfer from Housing Development Fund (Fund closed)	(1,041,622)	-	1,041,622	-
Balance at 30 JUNE 2012	-	-	448,300,511	448,300,511



BITOU LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	30 JUNE 2012 R	30 JUNE 2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		245,143,914	224,058,578
Government - operating		32,113,444	46,391,679
Government - capital		26,696,693	61,215,142
Interest		4,775,421	3,963,551
Payments			
Suppliers and employees		(269,318,653)	(236,268,013)
Finance charges	34	(12,791,947)	(10,495,871)
Cash generated by operations	38	26,618,872	88,865,066
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	13	(35,221,460)	(102,749,556)
Purchase of Intangible Assets		(462,783)	(1,471,883)
Proceeds on Disposal of Fixed Assets			2,814,639
Decrease in non-current receivables		76,734	87,720
Increase in non-current Investments		(303,304)	(302,476)
Net Cash from Investing Activities		(35,910,813)	(101,621,557)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(9,297,184)	(6,582,075)
New loans raised		30,330,191	19,084,299
Increase in Consumer Deposits		195,254	333,811
Net Cash from Financing Activities		21,228,262	12,836,035
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		11,936,321	79,543
Cash and Cash Equivalents at the beginning of the year		16,683,613	16,604,070
Cash and Cash Equivalents at the end of the year	39	28,619,934	16,683,613
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		11,936,321	79,543



BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 21 (Original – Mar 2009)	Impairment of non-cash-generating assets	1 April 2012
GRAP 23 (Original – Feb 2008)	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 26 (Original – Mar 2009)	Impairment of cash-generating assets	1 April 2012
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
GRAP 104 (Original – Oct 2009)	Financial Instruments	1 April 2012
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

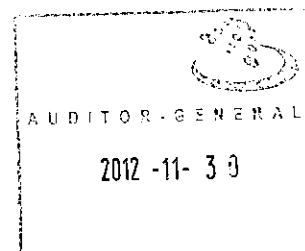
When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

1.6 PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 (Revised – March 2012) paragraph 11 to 14 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.



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BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.7 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:


Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	Consolidated and Separate Financial Statements The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity. No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.	Unknown
GRAP 7 (Revised – Mar 2012)	Investments in Associate This Standard prescribes the accounting treatment for investments in joint ventures where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets. No significant impact is expected as the Municipality does not participate in such business transactions.	1 April 2013
GRAP 8 (Revised – Nov 2010)	Interest in Joint Ventures The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities. No significant impact is expected as the Municipality is not involved in any joint ventures.	Unknown
GRAP 18 (Original – Feb 2011)	Segment Reporting The objective of this Standard is to establish principles for reporting financial information by segments.	Unknown

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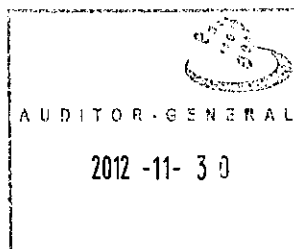
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements.	
GRAP 24 (Original – Nov 2007)	<p>Presentation of Budget Information in Financial Statements</p> <p>This Standard requires a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts.</p> <p>Information to a large extent is already included in the notes to the annual financial statements and the impact is assessed to not be significant.</p>	1 April 2012
GRAP 103 (Original – July 2008)	<p>Heritage Assets</p> <p>The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.</p> <p>No adjustments necessary as the Municipality has no significant heritage assets other than the assets currently accounted for in terms of GRAP 17.</p>	1 April 2012
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	Unknown
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p>	<p>Unknown</p> <div style="border: 1px solid black; padding: 5px; text-align: center;">  AUDITOR-GENERAL 2012-11-30 </div>

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BITOU MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	No significant impact is expected as the Municipality does not participate in such business transactions.	
GRAP 107 (Original – Nov 2010)	Mergers The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
IGRAP 12	Jointly Controlled Entities non-monetary contributions The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venture to a Jointly Controlled Entity (JCE). No significant impact is expected as the Municipality does not have any JCE's at this stage.	

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.8. RESERVES**1.8.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/ (deficit) are credited by a corresponding amount when the amounts in the CRR are utilized. The CRR was closed at year end as it was not relevant any more.

1.8.2 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing. Operational deficits are also allowed to be transferred. This fund was closed on year end.

BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.9. LEASES

1.9.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

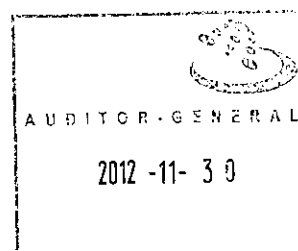
Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis.

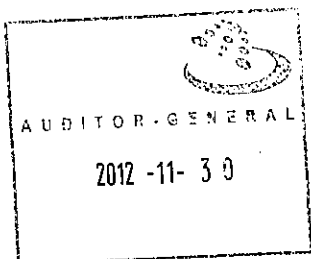
1.9.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis.



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BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.10 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the

BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12. PROVISIONS AND CONTINGENCIES

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

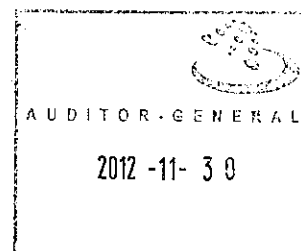
Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised..



BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.13. EMPLOYEE BENEFITS

(a) Post-Retirement Medical Obligations

This is a defined benefit plan. The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% to 70% as contribution and the remaining 40% to 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

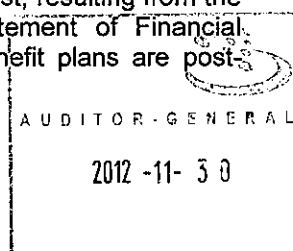
(b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.



BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(d) Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(e) Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(f) Provision for Performance Bonuses

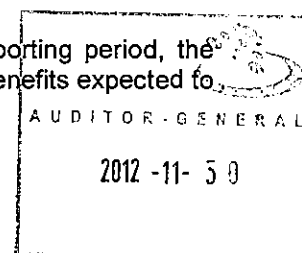
A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(g) Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

(h) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:



BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.14. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The amount of borrowing costs that the Municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. . Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.15. PROPERTY, PLANT AND EQUIPMENT

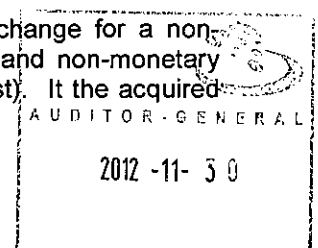
1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). It the acquired



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

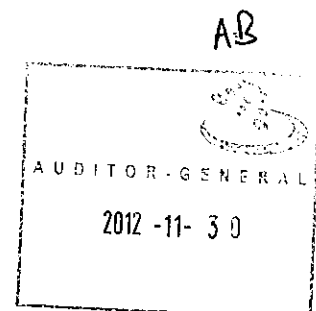
1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:



BITOU MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****Electricity Assets**

Class	Asset Type	Expected Useful Life
High Voltage	HV Overhead Line	50
High Voltage	HV Substation Battery	10
High Voltage	HV Substation Electrical Plant	50
High Voltage	HV Substation Yard Stone	15
High Voltage	HV Underground Cable	50
Medium Voltage	Ground Mounted Transformer	50
Medium Voltage	Mini Sub-Station	50
Medium Voltage	MV Overhead Line	50
Medium Voltage	MV Substation Battery	10
Medium Voltage	MV Substation MV Switchgear	50
Medium Voltage	MV Underground Cable	50
Medium Voltage	Pole Mounted Transformer	50
Medium Voltage	Ring Main Unit	50
Low Voltage	LV Conductor Network	50
Low Voltage	Streetlight	50
Low Voltage	LV Consumer Connection	50

Water Assets

Class	Asset Type	Expected Useful Life
Borehole	Civil Structure	50
Borehole	Electrical Plant	15
Borehole	Telemetry	30
Borehole	Mechanical Plant	15
Dam	Civil Structure	100
Spring Protection	Civil Structure	50
Bulk Water Channel	Concrete	50
Bulk Water Pipeline	AC	60
Bulk Water Pipeline	FC	60
Bulk Water Pipeline	GRP	100
Bulk Water Pipeline	HDPE	100
Bulk Water Pipeline	PVC	60
Bulk Water Pipeline	Steel	100
Bulk Water Pipeline	uPVC	100
Pump Station	Civil Structure	50
Pump Station	Electrical Plant	15
Pump Station	Telemetry	30
Pump Station	Mechanical Plant	30
Reservoir	Civil Structure	50

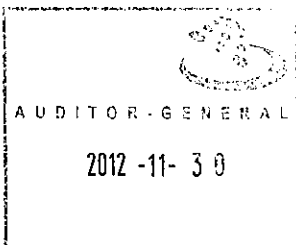
BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Reservoir	Electrical Plant	15
Reservoir	Telemetry	30
Reticulation Pipeline	AC	60
Reticulation Pipeline	CI	100
Reticulation Pipeline	Clay	60
Reticulation Pipeline	FC	60
Reticulation Pipeline	HDPE	100
Reticulation Pipeline	PVC	60
Reticulation Pipeline	Steel	100
Reticulation Pipeline	uPVC	100
Water Treatment Works	Civil Structure	50
Water Treatment Works	Mechanical Plant	15
Water Treatment Works	Electrical Plant	15
Water Treatment Works	Telemetry	30

Sanitation Assets

Class	Asset Type	Expected Useful Life
Bulk Sewer Pipeline	AC	60
Bulk Sewer Pipeline	CI	100
Bulk Sewer Pipeline	Concrete	60
Bulk Sewer Pipeline	GRP	60
Bulk Sewer Pipeline	HDPE	60
Bulk Sewer Pipeline	PF	60
Bulk Sewer Pipeline	PVC	60
Bulk Sewer Pipeline	SG	60
Bulk Sewer Pipeline	uPVC	60
Bulk Sewer Pipeline	Weholite	60
Pump Station	Civil Structure	50
Pump Station	Electrical Plant	15
Pump Station	Telemetry	30
Pump Station	Mechanical Plant	30
Sewage Treatment Works	Civil Structure	50
Sewage Treatment Works	Mechanical Plant	15
Sewage Treatment Works	Electrical Plant	15
Sewage Treatment Works	Telemetry	30
Sewer Reticulation Pipeline	AC	60
Sewer Reticulation Pipeline	CI	100
Sewer Reticulation Pipeline	Concrete	60
Sewer Reticulation Pipeline	GRP	60
Sewer Reticulation Pipeline	HDPE	60
Sewer Reticulation Pipeline	PF	60
Sewer Reticulation Pipeline	PVC	60
Sewer Reticulation Pipeline	SG	60
Sewer Reticulation Pipeline	Steel	60
Sewer Reticulation Pipeline	uPVC	60



A.B

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Sewer Reticulation Pipeline	Vitreous Clay	60
Sewer Reticulation Pipeline	Weholite	60

Road Transport Assets

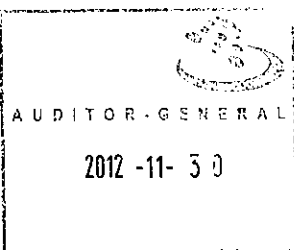
Class	Asset Type	Expected Useful Life
Overhead Gantry	Overhead Gantry	100
Parking Area	Surfacing Asphalt	50
Road Asphalt	UA Surfacing	15
Road Asphalt	UA Base	30
Road Asphalt	UA Structure	100
Road Asphalt	UB Surfacing	15
Road Asphalt	UB Base	30
Road Asphalt	UB Structure	100
Road Asphalt	UC Surfacing	20
Road Asphalt	UC Base	40
Road Asphalt	UC Structure	100
Road Asphalt	UD Surfacing	25
Road Asphalt	UD Base	50
Road Asphalt	UD Structure	100
Road Unpaved	Surface	7
Road Unpaved	Structure	25
Signalized Intersection	Signalized Intersection	15
Guardrail	Guardrail	15
Bridge	Bridge	100
Retaining Wall	Retaining Wall	100
Taxi Rank	Commuter Shelter	15
Taxi Rank	Surfacing Asphalt	15
Footpath	Footpath	20-30

Storm Water Assets

Class	Asset Type	Expected Useful Life
Attenuation Pond	Attenuation Pond	25
Covered Channel	Lined Channel	50
Culvert	Major Culvert	50
Culvert	Minor Culvert	20
Erosion Protection	Erosion Protection	20
Open Channel	Lined Channel	50
Open Channel	Unlined Channel	10
Reticulation Pipeline	Concrete	50

Solid Waste Assets

Class	Asset Type	Expected Useful Life
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Containers	Containers	20
Landfill	Leachate System	50
Landfill	Weighbridge	50
Landfill	Earth Embankment	25
Landfill	Pump Station Electrical Plant	15
Landfill	Pump Station Civil Structure	50
Landfill	Leachate System	50
Landfill	Pump Station Telemetry	30
Landfill	Pump Station Mechanical Plant	15
Transfer Stations	Building	30
Transfer Stations	Civil Structure	8
Transfer Stations	Mechanical Plant	15

Other Assets

Class	Expected Useful life (EUL)
Buildings	30
Specialist vehicles	10-20
Other vehicles	3-6
Office equipment	5-10
Furniture and fittings	5-10
Watercraft	15
Bins and containers	5
Specialised plant and Equipment	5-15
Other plant and Equipment	2-5
Quarries	25
Emergency equipment	5-15
Computer equipment	5-10

Community Assets

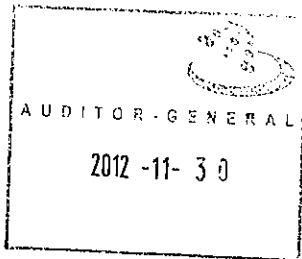
Class	Expected Useful life (EUL)
Buildings	30
Recreational Facilities	15-20
Security	3-5
Halls	30
Libraries	30
Parks and gardens	15-20
Other assets	10-30

Lease Assets

Class	Expected Useful life (EUL)
Office equipment	3-6
Other assets	5-6

BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012



Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.15.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16. INTANGIBLE ASSETS

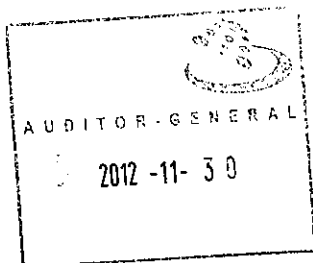
1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.



BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Computer Software	5-10 years
Computer Software Licences	5 years

1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

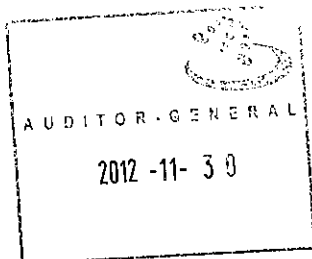
1.17. INVESTMENT PROPERTY

1.17.1 Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.17.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

1.17.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18. NON-CURRENT ASSETS HELD FOR SALE

1.18.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.18.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

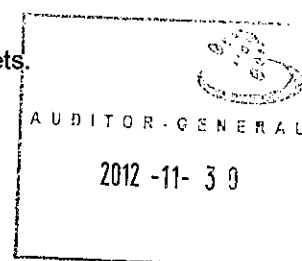
The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.



BITOU MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying

BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20. INVENTORIES

1.20.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.20.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

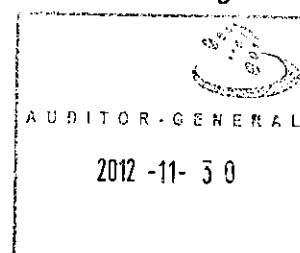
The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.21. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).



BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.21.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.21.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

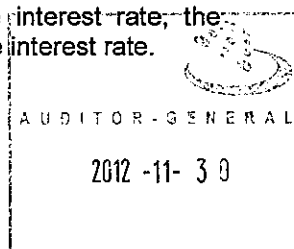
1.21.2.2 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.



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BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.21.2.3 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.21.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.21.2.5 Non-Current Investments

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

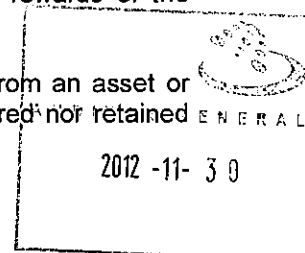
1.21.3 De-recognition of Financial Instruments

1.21.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained



BITOU MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.21.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.21.4 Offsetting of Financial Instruments

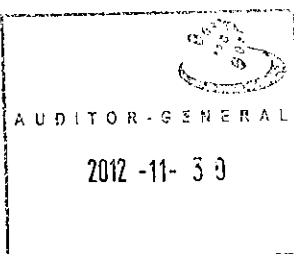
Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.22. REVENUE**1.22.1 Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the



BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Municipality does not enforce its obligation to collect the revenue, is a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised as revenue when the receivables meet the definition of an asset and satisfy the criteria for recognition as an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by the law. Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

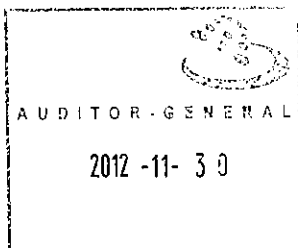
Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.22.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are



BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under- Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the

BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.23. RELATED PARTIES

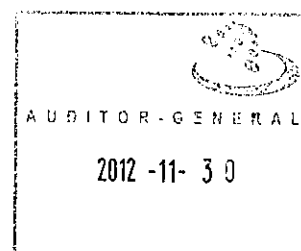
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.



BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.24. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

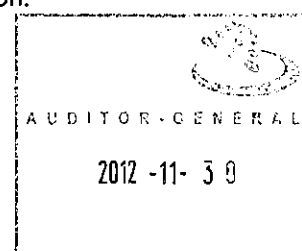
1.27. CONTINGENT LIABILITIES

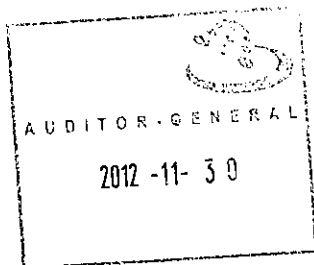
A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.28. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.





BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Postretirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

-
- cost of items with a similar nature currently in the Municipality's asset register;
 - cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
 - cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

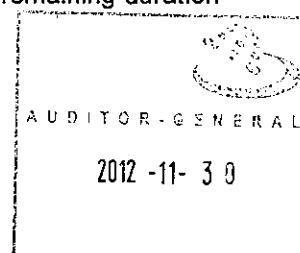
Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.



BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

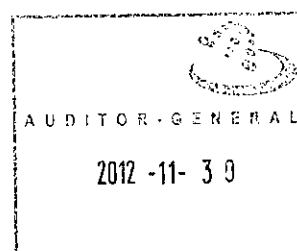
- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Task Implementation

The provision at 30 June for Task Implementation represents the Municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salaries compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.



BITOU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end that is still unused. The units sold in June, more than the average pre-paid electricity sold per month for the period July to May, is used as a basis during the year under review as an estimate in calculating the unused units.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.30. TAXES – VALUE ADDED TAX

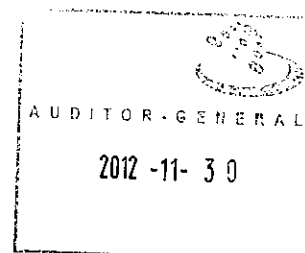
Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.31. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.32. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.



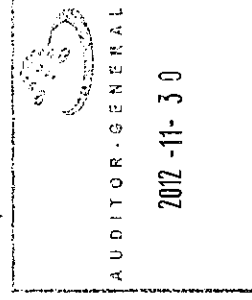
BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

13 PROPERTY, PLANT AND EQUIPMENT
30 JUNE 2012

Reconciliation of Carrying Value

	Opening Balance R	Corrections	Restated Opening Balances	Cost: Additions R	Under Construction	Disposals R	Impairments	Closing Balance R	Opening Balance R	Corrections	Restated Opening Balances	Accumulated Depreciation and Impairment Losses Residual	Additions R	Impairments R	Disposals	Closing Balance R	Carrying Value R
Land and Buildings	165,303,892	-	165,303,892	-	-	-	-	165,303,892	22,937,462	11,171	22,948,633	1,437,641	-	-	-	24,386,274	160,917,618
Land	145,421,872	-	145,421,872	-	-	-	-	145,421,872	-	-	-	-	-	-	-	-	145,421,872
Buildings	39,881,720	-	39,881,720	-	-	-	-	39,881,720	22,937,462	11,171	22,948,633	1,437,641	-	-	-	24,386,274	15,485,446
Infrastructure	443,937,657	2,550,464	446,488,121	6,512,530	13,808,056	-	(1,410,834)	445,398,413	117,230,458	1,096	117,231,554	11,477,903	(692,060)	-	-	128,037,377	337,361,037
Roads	122,213,509	1,862,959	124,076,468	3,331,033	-	-	(1,410,834)	125,665,634	37,609,352	-	37,609,352	3,137,528	-	-	-	40,746,880	85,921,538
Sewerage Mains and Purification	76,019,386	176,263	76,195,649	1,030,597	7,000,000	-	-	83,226,246	25,428,817	1,096	25,430,913	2,026,350	-	-	-	27,457,263	56,768,984
Electricity Mains	45,406,855	281,788	45,688,643	2,114,382	-	-	-	47,803,025	7,520,288	-	7,520,288	972,073	-	-	-	8,492,361	39,310,664
Electricity Peak Load Equipment	27,252,449	-	27,252,449	25,000	-	-	-	27,277,449	3,076,492	-	3,076,492	684,681	-	-	-	3,761,173	23,515,976
Water Mains and Purification	43,608,755	5,833	43,614,588	-	-	-	-	43,614,588	7,672,562	-	7,672,562	1,659,355	-	-	-	9,331,916	34,282,672
Reservoirs-Water	24,311,403	5,933	24,317,337	-	1,630,731	-	-	25,948,068	7,010,971	-	7,010,971	669,185	-	-	-	7,680,156	18,267,902
Water Mains	101,818,070	19,771	101,837,841	11,817	4,987,034	-	-	106,835,692	29,734,035	-	29,734,035	2,320,023	-	-	-	28,054,048	78,060,391
Landfill Sites	3,368,770	-	3,368,770	-	190,231	-	-	3,559,001	3,176,321	-	3,176,321	25,859	-	-	-	3,202,180	286,440
Community Assets	31,454,438	617,912	32,072,350	10,755,689	-	-	-	42,828,039	10,004,618	-	10,004,618	998,457	-	-	-	11,003,075	31,774,964
Parks and Gardens	6,242,662	-	6,242,662	-	-	-	-	6,242,662	2,453,618	-	2,453,618	342,352	-	-	-	2,795,970	3,446,692
Libraries	5,598,673	-	5,598,673	10,755,689	-	-	-	16,354,362	119,401	-	119,401	57,592	-	-	-	176,993	17,165,669
Recreation Grounds	16,013,569	517,912	16,531,481	-	-	-	-	16,531,481	5,358,827	-	5,358,827	512,085	-	-	-	5,870,912	10,660,567
Other Buildings	2,641,235	-	2,641,235	-	-	-	-	2,641,235	2,072,772	-	2,072,772	83,438	-	-	-	2,156,210	485,025
Lease Assets	3,421,453	-	3,421,453	330,191	-	-	-	3,751,644	1,431,065	-	1,431,065	1,043,823	-	-	-	2,474,907	1,276,737
Office Equipment	3,421,453	-	3,421,453	330,191	-	-	-	3,751,644	1,431,065	-	1,431,065	1,043,823	-	-	-	2,474,907	1,276,737
Other Assets	26,778,765	-	26,778,765	3,814,933	-	-	(134,679)	30,458,770	14,343,469	37,441	14,420,611	3,307,214	(104,920)	-	-	17,623,205	12,835,565
Office Equipment	4,692,105	-	4,692,105	-	-	-	(21,224)	4,670,881	1,674,339	-	1,674,339	876,459	-	-	-	2,538,301	2,138,480
Furniture & Fittings	4,402,972	-	4,402,972	747,900	-	-	-	5,150,872	2,265,505	8,895	2,265,505	540,202	-	-	-	2,805,302	2,245,380
Motor Vehicles	253,474	-	253,474	-	-	-	-	253,474	100,734	-	100,734	46,593	-	-	-	147,327	106,147
Emergency Equipment	10,163,667	-	10,163,667	132,895	-	-	-	10,296,562	6,793,227	28,756	6,825,983	984,076	-	-	-	7,809,061	2,490,500
Fire Engines	3,309,415	-	3,309,415	723,072	-	-	-	4,032,487	1,074,307	-	1,074,307	183,516	-	-	-	1,257,823	2,764,664
Refuse Tankers	1,240,688	-	1,240,688	-	-	-	-	1,240,688	1,000,697	-	1,000,697	57,871	-	-	-	1,058,568	181,920
Computer Equipment	2,741,445	-	2,741,445	2,210,917	-	-	(113,444)	4,838,918	1,483,660	-	1,483,660	508,467	-	-	-	1,992,127	2,837,155
	690,928,206	3,064,316	693,992,522	21,413,404	13,808,056	-	(1,543,513)	722,870,470	165,987,062	49,709	166,036,801	18,292,038	-	(797,000)	-	183,521,639	544,148,437

A-B



BITOU MUNICIPALITY

A.B.

AUDITOR - GENERAL

2012-11-30

BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2	NET ASSET RESERVES	2012 R	2011 R
	Capital Replacement Reserve	-	300,001
	Housing Development Fund	-	1,041,622
	Total Net Assets Reserve and Liabilities	-	1,341,623

3	LONG-TERM LIABILITIES	2012 R	2011 R
	Annuity Loans - At amortised cost	122,570,577	100,673,515
	Capitalised Lease Liability - At amortised cost	1,068,152	1,932,207
		123,638,729	102,605,722
	Current Portion transferred to Current Liabilities	(9,443,996)	(7,851,289)
	Annuity Loans - At amortised cost	(8,561,831)	(6,722,942)
	Capitalised Lease Liability - At amortised cost	(882,165)	(1,128,347)
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	114,194,733	94,754,432

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

	2012 R	2011 R
Payable within one year	22,023,825	17,011,908
Payable within two to five years	83,157,476	64,155,379
Payable after five years	112,451,923	103,727,597
	217,633,224	184,894,884
Less: Future finance obligations	(95,062,647)	(84,221,369)
Present value of annuity obligations	122,570,577	100,673,515

Development Bank Loans

Various structured loans have been taken up with DBSA, with an original value totalling R79.5m. One of the DBSA loans has a repayment period of 10 years maturing on 30/06/2017 paid with equal installments. All other loans are paid 6 monthly on a "Fixed capital plus interest" basis over a 20 year period each with a maturity date ranging from 31/12/2019 - 31/12/2029 respectively. Interest rates applicable on all loans vary from 9% to 12%

First National Bank

A loan amounting to R3,400,000 has been taken up from First National Bank in the previous financial year. This loan will be paid 6 monthly on a "fixed capital plus interest" basis over a five year period with maturity date of 30/06/2015. Interest rate applicable to this loan amounts to 10.56%

Standard Bank

A loan amounting to R 16 580 000 has been taken up from Standard bank in the previous financial year and a new loan amounted to R30 000 000 in the current year. These loans will be paid 6 monthly on a "fixed capital plus interest" basis over a 10 year period with maturity date of 30/06/2021 and 30/06/22 respectively. Interest rates applicable to this loan amounts to 11.26% and 10.71% respectively

A Fixed Deposit of R 4275037, (2011: R3 971 733) has been ring-fenced for the purposes of repaying Long-term Liabilities as set out in Notes

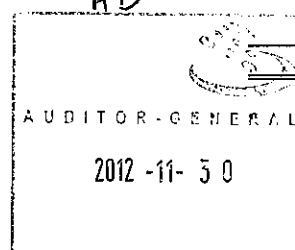
The fair value of Long- Term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

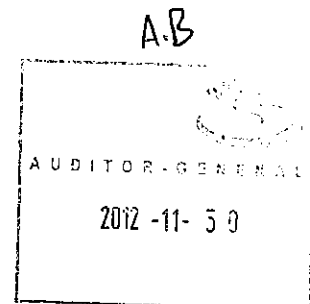
	2012 R	2011 R
Payable within one year	934,579	1,273,397
Payable within two to five years	197,254	837,834
Payable after five years	-	-
	1,131,833	2,111,231
Less: Future finance obligations	(63,681)	(179,024)
Present value of lease obligations	1,068,152	1,932,207

Leases are secured by property, plant and equipment - Note 13



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The municipality has entered into a lease agreement with Rentworks Africa Pty (LTD) whereby it leases Telecommunication and Smartrouters from them. The rental period is between 30 and 33 months, starting 1 July 2010. Rental instalments is payable quarterly, amounting to R 271,603.68, excluding VAT per quarter. No escalation is applicable.



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4

EMPLOYEE BENEFITS

Post Retirement Benefits - Refer to Note 4.1
 Long Service Awards - Refer to Note 4.2
Total Non-current Employee Benefit Liabilities

2012 R	2011 R
54,906,743	37,524,321
2,634,329	3,143,301
57,541,072	40,667,622

Post Retirement Benefits

Balance 1 July
 Contribution for the year
 Expenditure for the year
 Actuarial Loss
Total post retirement benefits 30 June
Less: Transfer of Current Portion - Note 7
Balance 30 June

2012 R	2011 R
38,273,502	28,482,012
6,113,020	4,828,423
(677,107)	(579,048)
12,044,120	5,542,118
55,753,535	38,273,505
(846,792)	(749,184)
54,906,743	37,524,321

Long Service Awards

Balance 1 July
 Contribution for the year
 Expenditure for the year
 Actuarial Gain
Total long service 30 June
Less: Transfer of Current Portion - Note 7
Balance 30 June

3,374,648	2,570,523
629,939	572,215
(170,020)	(193,694)
(848,156)	425,604
2,986,411	3,374,848
(352,062)	(231,347)
2,634,329	3,143,301

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July
 Contribution for the year
 Expenditure for the year
 Actuarial Loss
Total employee benefits 30 June
Less: Transfer of Current Portion - Note 7
Balance 30 June

41,648,150	31,052,536
6,742,959	5,400,638
(847,127)	(772,742)
11,195,964	5,967,722
58,739,946	41,648,154
(1,198,874)	(980,531)
57,541,072	40,667,623

4

EMPLOYEE BENEFITS (CONTINUE)

4.1

Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members
 Continuation members (e.g. Retirees, widows, orphans)
Total Members

360	376
33	30
393	406

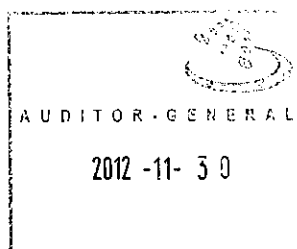
The liability in respect of past service has been estimated to be as follows:

In-service members
 Continuation members
Total Liability-unfunded

2012 R	2011 R
43,084,238	28,578,326
12,669,297	9,695,176
55,753,535	38,273,502

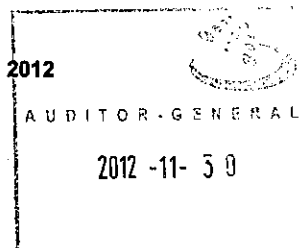
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

In-service members
 Continuation members
Total Liability



2,010	2,009 R	2008 R
21,234,895	-	-
7,247,119	-	-
28,482,014	-	-

BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012



The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
 LA Health
 Samwumed; and
 Keyhealth.

Key actuarial assumptions used:

I) Rate of Interest

	2012 %	2011 %
Discount rate	8.23%	8.79%
Health Care Cost Inflation Rate	7.03%	7.36%
Net Effective Discount Rate	1.13%	1.34%

II) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries for post-retirement.
 The SA 85-90 table was used by the actuaries for current employees

III) Normal retirement age

It has been assumed that in-service members will retire at an average age of 59, which then implicitly allows for expected rates of early and ill-health retirement.

	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	55,753,535	38,273,502
Net liability-unfunded	55,753,535	38,273,502

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	38,273,502	28,482,014
Total expenses	5,435,913	4,249,370
Current service cost	2,780,882	2,231,944
Interest Cost	3,332,138	2,596,474
Benefits Paid	(677,107)	(579,048)
Actuarial losses	12,044,120	5,542,118
Present value of fund obligation at the end of the year	55,753,535	38,273,502
Less: Transfer of Current Portion - Note 7	(846,792)	(749,184)
Balance 30 June	54,906,743	37,524,318

Sensitivity Analysis on the Accrued Liability in (R millions)

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	43.084	12.669	55.754	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	52.450	14.336	66.786	20%
Health care inflation	-1%	35.748	11.284	47.032	-16%
Post-retirement mortality	-1 year	44.405	13.123	57.528	3%
Average retirement age	-1 year	46.315	12.669	58.985	6%
Withdrawal Rate	-50%	48.021	12.669	60.690	9%

4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.	383	387
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BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Key actuarial assumptions used:

1) Rate of Interest

	2012 %	2011 %
Discount rate	6.56%	7.81%
General Salary Inflation (long-term)	5.97%	6.27%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.56%	1.45%

The amounts recognised in the Statement of Financial Position are as follows:

	2012 R	2011 R
Present value of fund obligations	2,986,411	3,374,648
Net liability-unfunded	2,986,411	3,374,648

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2010 R	2009 R	2008 R
Total Liability-unfunded	2,570,523	2,432,297	3,012,888

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	3,374,648	2,570,523
Total expenses	459,919	378,521
Current service cost	375,164	346,690
Interest Cost	254,775	225,325
Benefits Paid	(170,020)	(193,694)
Actuarial losses	(848,156)	425,604
Present value of fund obligation at the end of the year	2,986,411	3,374,648
Less: Transfer of Current Portion - Note 7	(352,082)	(231,347)
Balance 30 June	2,634,329	3,143,301

Sensitivity Analysis on the Unfunded Accrued Liability (In R Millions)

Assumption	Change	Liability (R)	% change
Central assumptions		2,986	
General salary inflation	1%	3,191	7%
General salary inflation	-1%	2,802	-6%
Average retirement age	-2yrs	2,578	-14%
Average retirement age	2yrs	3,447	15%
Withdrawal rates	-50%	3,702	24%

4.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

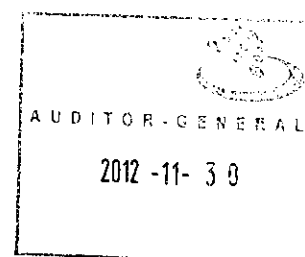
Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund has a funding level of 98.1% (30 June 2010 - 100%). Although the funds actuarial valuation has decreased, it is still within the Registrar's acceptable range, provided that the previous statutory valuation reflected at least a 100% funding level.

Contributions paid recognised in the Statement of Financial Performance

471,936 442,950



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

CAPE RETIREMENT FUND

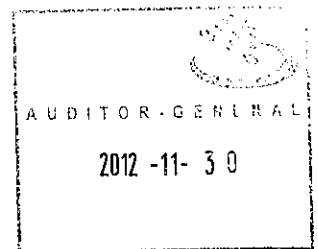
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2009 - 103.3%).

Contributions paid recognised in the Statement of Financial Performance	7,540,539	7,583,812
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DEFINED CONTRIBUTION FUNDS

Council contribute to the Municipal Council Pension Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance	108,890	205,512
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BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

5	NON-CURRENT PROVISIONS	2012 R	2011 R
	Provision for Rehabilitation of Landfill-sites	6,743,750	6,274,010
	Provision for Cleaning of Alien Vegetation	<u>1,138,952</u>	<u>1,072,577</u>
	Total Non-current Provisions	<u>7,882,702</u>	<u>7,346,587</u>

Landfill Sites

	2012 R	2011 R
Balance 1 July	6,274,010	5,929,120
Contribution for the year	469,740	355,133
Expenditure for the year		(10,243)
Total provision 30 June	<u>6,743,750</u>	<u>6,274,010</u>
Less: Transfer of Current Portion to Current Provisions - Note 8	-	-
Balance 30 June	<u>6,743,750</u>	<u>6,274,010</u>

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

Estimated decommission date	2014
Cost of rehabilitation	R 7,282,950

Clearing of Alien Vegetation

Balance 1 July	1,072,577	841,279
Contribution for the year	79,475	619,058
Expenditure for the year	(13,100)	(387,760)
Total provision 30 June	<u>1,138,952</u>	<u>1,072,577</u>

6 CONSUMER DEPOSITS

Electricity and Water	4,476,945	4,281,691
Total Consumer Deposits	<u>4,476,945</u>	<u>4,281,691</u>
Guarantees held in lieu of Electricity and Water Deposits	<u>205,125</u>	<u>205,125</u>

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, Council utilizes the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

Management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

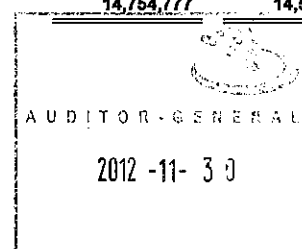
The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

7 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 4	846,792	749,184
Current Portion of Long-Service Provisions - Note 4	352,082	231,347
Staff Leave	6,946,641	6,680,017
Bonuses	1,975,176	1,956,777
Pension fund shortages	1,808,485	1,602,977
TASK Evaluation	938,392	1,683,603
Performance Bonuses	1,887,210	1,612,904
Total Current Employee Benefits	<u>14,754,777</u>	<u>14,516,810</u>

The movement in current employee benefits are reconciled as follows:

Staff Leave



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Balance at beginning of year	6,680,017	5,299,775
Contribution to current portion	1,892,435	1,954,924
Expenditure incurred	(1,625,811)	(574,682)
Balance at end of year	<u>6,946,641</u>	<u>6,680,017</u>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Bonuses

Balance at beginning of year	1,956,777	1,771,910
Contribution to current portion	3,615,004	3,454,685
Expenditure incurred	(3,596,605)	(3,269,818)
Balance at end of year	<u>1,975,176</u>	<u>1,956,777</u>

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

Pension fund shortages

Balance at beginning of year	1,602,977	1,322,230
Contribution to current portion	205,508	280,747
Balance at end of year	<u>1,808,485</u>	<u>1,602,977</u>

The municipality received notice from the Cape Joint Pension Fund regarding a shortfall in the annual earnings of the fund. The actual investment return that was reported amounted to -0.94%. The provision amounts to the amount that the Fund requested the municipality to pay. Interest on the outstanding portion was added since February 2010.

TASK Evaluation

Balance at beginning of year	1,683,603	938,805
Contribution to current portion	-	744,798
Expenditure incurred	(745,211)	-
Balance at end of year	<u>938,392</u>	<u>1,683,603</u>

Performance Bonuaes

Balance at beginning of year	1,612,904	1,329,431
Contribution to current portion	274,306	1,655,545
Expenditure incurred	-	(1,372,072)
Balance at end of year	<u>1,887,210</u>	<u>1,612,904</u>

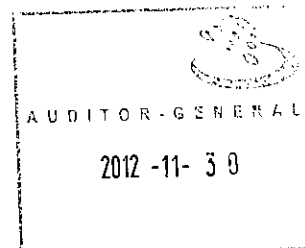
Performance bonuses are being paid to Municipal Manager, Directors and Employees on Fixed Term Contracts after an evaluation of performance by the council. There is no possibility of reimbursement.

8

PROVISIONS

Current Portion of Rehabilitation of Landfill-site -Note 4	-	-
Legal cost	850,000	-
Total Provisions	<u>850,000</u>	<u>-</u>

This provision is for legal cost of a court judgement in the matter WG Brummer N.O and Others/ LL Mvimbi and Others of which the judgement was against the municipality. The cost is under taxation and will be payable during the 2012-2013 financial year



AB

BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

9	PAYABLES FROM EXCHANGE TRANSACTIONS	2012 R	2011 R
	Trade Payables	13,107,390	46,499,503
	Pre-paid electricity	41,713	63,725
	Other Creditors	2,574,466	1,297,715
	Payments received in advance	4,958,951	4,878,552
	Deposit Minnaar Land	-	5,019,402
	Retentions	251,805	1,193,255
	Total Trade Payables	20,934,324	58,952,152

Payables are being recognised net of any discounts.

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit period. Other creditors mainly comprise deposits received towards services to be rendered to the municipality and unallocated banking deposits made on the municipality's banking accounts. No interest is raised and the credits held by the municipality are refunded once the services have been rendered or applied to the service account once the origin of the credit has been established.

Management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

All payables are unsecured.

10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	40,914,812	33,980,814
National Government Grants	5,422,560	7,774,446
Provincial Government Grants	35,492,253	26,206,368
Less: Unpaid Grants	280,000	-
National Government Grants	280,000	-
Total Conditional Grants and Receipts	40,634,812	33,980,814

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

11 UNSPENT PUBLIC CONTRIBUTIONS

Social responsibility	245,673	136,295
LED Strategy	205,996	400,000
Upgrade Kwano Sportfield	3,000,000	1,000,000
Alien Vegetation (standerd Bank)	194,881	1,446,335
Total Unspent Public Contributions	3,646,550	2,982,630

Reconciliation of public contributions

Social Responsibility

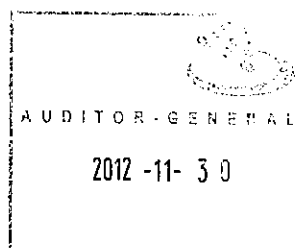
Opening balance	136,295	136,295
Contributions received	109,378	-
Closing balance	245,673	136,295

LED Strategy (IDC)

Opening balance	400,000	400,000
Conditions met - Transferred to revenue	(194,004)	-
Closing balance	205,996	400,000

Upgrade Kwano Sportfield

Opening balance	1,000,000	1,000,000
Contributions received	2,000,000	-



A.B

BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Closing balance	<u>3,000,000</u>	<u>1,000,000</u>
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Allen Vegetation (Std Bank)

Opening balance	1,446,335	1,446,335
Conditions met - Transferred to revenue	(1,251,454)	
Closing balance	<u>194,881</u>	<u>1,446,335</u>

Donation towards the erection of a gravestone at the Suikerbult graveyard

Lipton

Opening balance	-	-
Contributions received	20,000	-
Conditions met - Transferred to revenue	(20,000)	-
Closing balance	<u>-</u>	<u>-</u>

Donation towards buying sea rescue equipment

12

TAXES

12.1 VAT PAYABLE

VAT Payable	(2,345,377)	-
Total Vat payable	<u>(2,345,377)</u>	<u>-</u>

12.2 VAT RECEIVABLE

VAT input in suspense	-	10,438,207
Total VAT receivable	<u>-</u>	<u>10,438,207</u>

12.3 NET VAT RECEIVABLE/(PAYABLE)

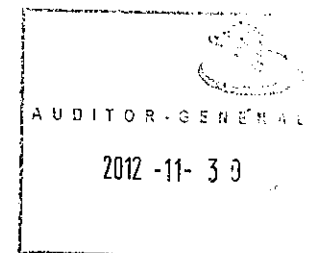
<u>(2,345,377)</u>	<u>10,438,207</u>
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VAT is receivable/payable on the cash basis.

13

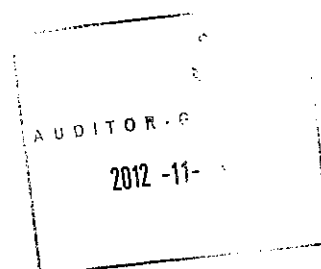
PROPERTY, PLANT AND EQUIPMENT

See attached sheet

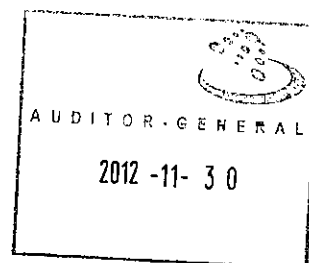


A-B

BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012



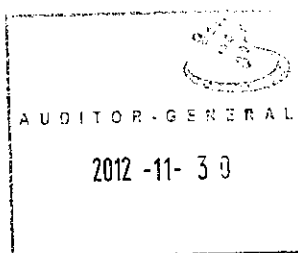
AB

BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

13		2012	2011
	Assets pledged as security:		
	All the assets which are obtained by financial leases are pledged as security.		
	Impairment of property, plant and equipment for the year		
	Impairment charges on Property, Plant and Equipment recognised in statement of performance	5,229,810	176,992
	Effect of change in accounting estimates		
	Change in estimates in terms of GRAP 3		
	The useful life of the landfill site rehabilitation was adjusted for a further period until closure by June 2013.		
	The effect of the adjustment is as follow:		
	Depreciation after adjustments	25,999	154,246
	Depreciation before adjustments	51,999	215,904
	The useful lives of other assets were adjusted for further periods		
	The effect of the adjustment is as follow:		
	Depreciation after adjustments	7,948	-
	Depreciation before adjustments	8,611	-
	The useful lives of leased assets were adjusted for further periods		
	Depreciation after adjustments		
	Depreciation before adjustments	2,110	-
		3,516	-
	Decrease in costs due to adjustment		
	Depreciation after adjustments		
	Depreciation before adjustments		
	Impairment of property plant and equipment for the year		
	Impairment charges on Property, plant and equipment recognised in statement of financial performance		
	Infrastructure	718,754	-
	Other	29,758	-
		<u>748,512</u>	<u>-</u>

14		R	R
	INVESTMENT PROPERTY		
	Net Carrying amount at 1 July	97,422,384	97,590,490
	Cost	98,787,966	98,787,966
	Accumulated Depreciation	(1,365,582)	(1,197,476)
	Depreciation for the year	(168,107)	(168,107)
	Net Carrying amount at 30 June	97,254,277	97,422,384
	Cost	98,787,966	98,787,966
	Accumulated Depreciation	(1,533,689)	(1,365,582)
	There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
	There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
	Revenue derived from the rental of investment property	<u>763,295</u>	<u>900,588</u>

15		2012 R	2011 R
	INTANGIBLE ASSETS		
	Computer Software		
	Net Carrying amount at 1 July	9,287,460	8,378,707
	Cost	9,938,275	8,466,371
	Accumulated Amortisation	(650,815)	(87,664)
	Written-off	(4,419,590)	
	Additions	462,783	1,471,904



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Amortisation	(565,006)	(563,150)
Net Carrying amount at 30 June	4,765,848	9,287,460
Cost	5,981,469	9,938,275
Accumulated Amortisation	(1,215,821)	(650,815)

The following material intangible assets are included in the carrying value above

<u>Description</u>	<u>Remaining Amortisation</u> <u>Period</u>	<u>Carrying Value</u>	
		<u>2012</u> <u>R</u>	<u>2011</u> <u>R</u>
Microsoft Office and Windows software	5	691,456	228,680
Cipal Themis Software and applications	10	5,290,013	9,709,595

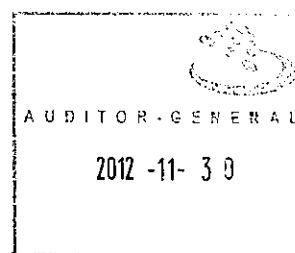
No intangible asset has an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.



A.B

BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
16 NON -CURRENT ASSETS HELD FOR SALE		
None current assets held for sale at beginning of the year-at book value	37,500	-
Additions for the year	-	37,500
Sold during the year	(37,500)	-
Non current assets held for sale at end of the year-at book value	<u>-</u>	<u>37,500</u>

17 NON - CURRENT INVESTMENTS		
Fixed Deposits	4,275,037	3,971,733
Total Non- Current Investments	<u>4,275,037</u>	<u>3,971,733</u>

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest at an average rate of 7.64 % per annum.

Fixed Deposits of R4275037, (2011: R3 971733) are ring-fenced for the purposes of repaying Long-term Liabilities as set out in Note 3

18 LONG-TERM RECEIVABLES		
Housing selling scheme loans	289,367	366,101
Less : Current portion transferred to current receivables	(77,680)	(75,307)
Total Long- Term Receivables	<u>211,686</u>	<u>290,794</u>

Prior to the coming into effect of the provisions of section 164(1)(c) of the MFMA (Act 56 of 2003) on 1 July 2004, loans were granted to qualifying senior staff members to enable them to acquire a house. The house should be occupied by the staff member and should be the primary home of the staff member. The repayment period of these loans and the applicable interest rate is a maximum of 20 years and eight percent per annum, respectively.

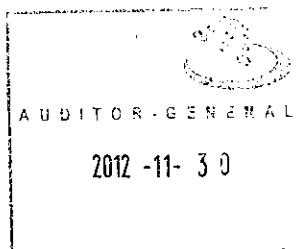
The carrying amount of these assets approximates their fair value.

The repayments applicable, are levied with the monthly consumer accounts, and outstanding amounts of the these accounts are reflected as part of the outstanding receivables from exchange transactions.

19 INVENTORY		
Consumables at store - At cost	1,791,081	2,068,055
Water – at cost	117,282	111,991
Total Inventory	<u>1,908,362</u>	<u>2,180,046</u>
Consumable stores materials written down due to losses as identified during the annual stores counts.	146,177	56,117
Consumable stores materials surpluses identified during the annual stores counts.	25,308	-
Inventory recognised as an expense during the year	<u>2,658,028</u>	<u>3,111,813</u>

No inventory assets were pledged as security for liabilities.

20 RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances	Provision for Impairment	Nett Balances
As at 30 June 2012			
Service Receivables	67,339,016	36,226,084	31,112,932
Electricity	14,317,719	3,785,920	10,531,799
Water	16,273,265	9,930,990	6,342,275
Sewerage	18,923,141	11,679,237	7,243,904
Sundries	6,514,522	2,447,010	4,067,512
Refuse Removal	11,310,369	8,382,927	2,927,442
Housing Rentals	439,679	261,752	177,927
Total	<u>67,778,694</u>	<u>36,487,838</u>	<u>31,290,856</u>
As at 30 June 2011			
Service Receivables	51,062,287	26,044,901	25,017,386
Electricity	10,651,007	3,126,229	7,524,778
Water	12,318,137	6,945,195	5,372,942



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Sewerage	14,792,316	8,272,227	6,520,089
Sundries	4,794,474	1,990,652	2,803,822
Refuse Removal	8,506,353	5,710,598	2,795,755
Housing Rentals	310,387	173,308	137,080
Total	51,372,675	26,218,209	25,154,466

Ageing of Receivables from Exchange Transactions:

(Electricity): Ageing

Current (0 - 30 days)	9,521,592	7,178,870
31 - 60 Days	1,249,946	967,247
61 - 90 Days	636,837	461,315
+ 90 Days	2,909,344	2,043,577
Total	14,317,719	10,651,009

(Water): Ageing

Current (0 - 30 days)	3,059,987	3,582,481
31 - 60 Days	881,414	644,674
61 - 90 Days	636,822	702,595
+ 90 Days	11,695,042	7,388,387
Total	16,273,265	12,318,137

(Sewerage): Ageing

Current (0 - 30 days)	2,528,487	4,066,753
31 - 60 Days	1,142,808	558,494
61 - 90 Days	1,323,650	502,252
+ 90 Days	13,928,196	9,664,818
Total	18,923,141	14,792,316

(Sundries): Ageing

Current (0 - 30 days)	131,091	385,251
31 - 60 Days	148,435	30,010
61 - 90 Days	48,512	1,481,304
+ 90 Days	6,186,483	2,697,909
Total	6,514,522	4,794,474

(Refuse): Ageing

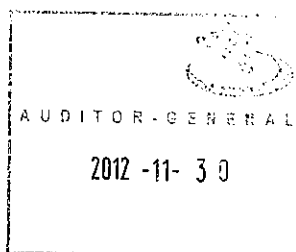
Current (0 - 30 days)	1,371,087	1,979,258
31 - 60 Days	556,067	340,888
61 - 90 Days	430,681	285,193
+ 90 Days	8,952,534	5,901,014
Total	11,310,369	8,508,353

(Housing): Ageing

Current (0 - 30 days)	48,776	84,404
31 - 60 Days	19,917	26,623
61 - 90 Days	14,118	26,447
+ 90 Days	356,868	172,913
Total	439,679	310,387

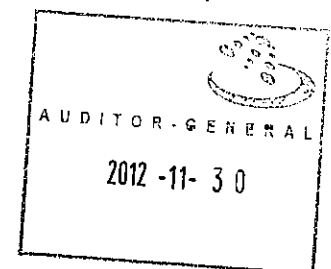
(Total): Ageing

Current (0 - 30 days)	16,661,021	17,277,016
31 - 60 Days	3,998,586	2,567,936
61 - 90 Days	3,090,620	3,459,106
+ 90 Days	44,028,468	28,068,618
Total	67,778,694	51,372,675



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

A.B



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

21 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2012 R	2011 R
Rates	17,211,318	16,009,984
Other Receivables	787,985	341,430
Insurance claims	-	341,430
Sundry Debtors	787,985	-
Total Receivables from Non-Exchange Transactions	17,999,303	16,351,414
Less: Allowance for Doubtful Debts	(5,026,577)	(4,775,365)
Total Net Receivables from Non-Exchange Transactions	12,972,726	11,576,049

Ageing of Receivables from Non-Exchange Transactions:

(Rates): Ageing

Current (0 - 30 days)	5,833,665	4,146,335
31 - 60 Days	852,191	827,932
61 - 90 Days	513,542	660,474
+ 90 Days	10,011,921	10,375,242
Total	17,211,318	16,009,984

Receivables Impaired

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
2012			
Total	36,487,836	5,026,577	41,514,413
2011			
Total	26,218,209	4,775,365	30,993,574

Reconciliation of Provision for Bad Debts

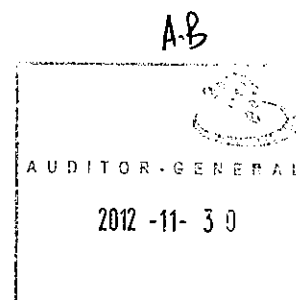
Balance at beginning of year	30,993,574	24,232,719
Contribution to provision	11,725,900	12,124,452
Bad Debts Written Off	(1,205,061)	(5,363,597)
Balance at end of year	41,514,413	30,993,574

In determining the recoverability of a trade receivable, the Municipality considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful

22 OPERATING LEASE ARRANGEMENTS

22.1 The Municipality as Lessee (Liability)

Balance on 1 July	552,476	565,623
Movement during the year	(30,553)	(13,147)
Balance on 30 June	521,923	552,476



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	R	R
At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:		
Up to 1 Year	1,134,830	2,509,176.00
1 to 5 Years	1,263,461	2,205,877
More than 5 Years	587,896	780,310
Total Operating Lease Arrangements	2,986,187	5,495,363

Operating leases consist out of agreements for buildings ,vehicles and other equipment

The municipality does not engage in any sub-lease arrangements.

The municipality did not pay any contingent rent during the year

22.2 The Municipality as Lessor (Asset)

Balance on 1 July	4,117	5,083
Movement during the year	(1,230)	(966)
Balance on 30 June	2,887	4,117

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	15,300	18,262
1 to 5 Years	11,393	26,612
More than 5 Years	-	81
Total Operating Lease Arrangements	26,693	44,955

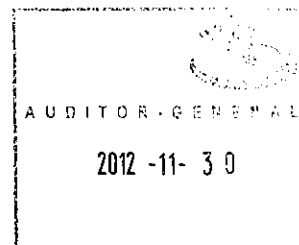
This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

No restrictions have been imposed on the Municipality in terms of the operating lease agreements.

The leases are in respect of land and buildings being leased out for several purposes.

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year



23

CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	27,044,104	10,191,098
Bank Accounts	1,564,610	6,481,294
Cash Floats	11,220	11,220
Total Cash and Cash Equivalents - Assets	28,619,934	16,683,612

Cash and cash equivalents comprises of cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Bank overdraft facility of R0 , (2011) R 5,000,000 exists at Standard Bank.

Security amounting to R 200,000 are held at Absa Bank for E- Fuel.

The municipality has the following bank accounts:

Current Accounts-Cash book balances

Standard Bank George-Account Number 082599343 (Primary Bank Account)	7,150,361	4,912,590
Standard Bank George-Account Number 282032371 (Direct Deposits)	1,326,668	1,211,342
Standard Bank George-Account Number 082608288 (ACB)	113,605	42,047
Standard Bank George-Account Number 082592535 (Traffic Account)	410,604	370,199
FNB - AccountNumber 62060979964	6,735	-
	9,007,973	6,536,178
Cash book balance at beginning of year	6,481,294	11,484,922
Cash book balance at end of year	1,564,610	6,481,294
Standard Bank George-Account Number 082599343 (Primary Bank Account)		
Bank statement balance at beginning of year	4,912,590	17,465,800
Bank statement balance at end of year	7,150,361	4,912,590
Standard Bank George-Account Number 282032371 (Direct Deposits)		

BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Bank statement balance at beginning of year	1,211,342	929,054
Bank statement balance at end of year	1,326,668	1,211,342
Standard Bank George-Account Number 082592535 (Traffic Account)		
Bank statement balance at beginning of year	370,199	453,867
Bank statement balance at end of year	410,604	370,199
Standard Bank George-Account Number 082608288 (ACB)		
Bank statement balance at beginning of year	42,047	430
Bank statement balance at end of year	113,605	42,047
FNB- Account Number 02080979864		
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	6,735	-

Call Investment Deposits

Call investment deposits consist out of the following accounts:

Absa Account nr 20-4897-5233	38,303	36,243
Absa Account nr 20-5009-0176	21,865	20,669
Standard Account nr 488-860-7000-013	6,097	5,886
Standard Account nr 488-860-7000-015	5,078,228	10,128,281
Standard Account nr 488-607-7000-015	149,009	-
Investec Account nr 1100443838450	10,281,310	-
Nedbank Account nr 03-7881052406-000039-000039	6,287,237	-
Nedbank Account nr 03-7881052406-000039-000038	5,182,055	-
	27,044,104	10,191,099

For the purposes of the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5 % to 6 % per annum.

ABSA investment account number 2048975233 has been ceded as collateral for bond number 8043787245 to the amount of R 24 000.

ABSA investment account number 2050090176 has been ceded as collateral for bond number 8044250229 to the amount of R13 700.

24

PROPERTY RATES

Actual

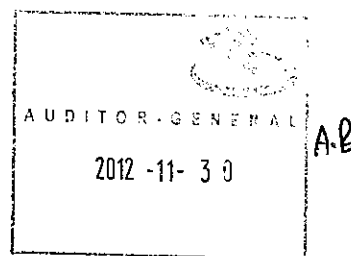
Rateable Land and Buildings

Residential, Industrial, Rural and Other
Commercial
State

Less: Rebates

Total Assessment Rates

2012 R	2011 R
70,817,786	66,796,239
64,041,686	59,062,849
6,142,045	7,039,605
634,055	693,785
(1,005,697)	(1,381,402)
69,812,089	65,414,837



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Valuations - 1 JULY 2011		
Rateable Land and Buildings		
Residential, Industrial, Rural and Other	19,261,950,771	18,946,107,897
Commercial	978,821,050	1,212,732,150
State	137,522,550	122,576,322
Total Assessment Rates	20,378,294,371	20,281,416,369

Assessment Rates are levied on the value of land and improvements, which valuation must be performed every 5 years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions.

The tariff for residential properties are used as the basis for the calculation of property rates for all other categories. a Business will pay 67% more than a household and farms or rural properties will pay 75% less than residential households.

Rates are levied annually on property and are payable by 30 September. Owners are allowed to pay the annual assessment in 12 monthly installments. Monthly rates are payable by the 15th of the following month. Interest is levied at the prime rate plus 1% on outstanding rates amounts.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

25

GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants	18,978,000	17,538,395
Equitable Share	18,978,000	17,536,395
Conditional Grants	39,832,137	90,070,426
Grants and donations	39,832,137	90,070,426
Total Government Grants and Subsidies	58,810,137	107,608,821
 Government Grants and Subsidies - Capital	 26,696,693	 61,215,142
Government Grants and Subsidies - Operating	32,113,444	46,391,679
	58,810,137	107,608,821
 Revenue recognised per vote as required by Section 123 (c) of the MFMA		
Community & Social Services	2,454,549	350,000
Electricity	561,798	11,193,967
Executive & Council	19,807,106	18,361,395
Budget & Treasury	1,250,000	2,750,000
Housing	8,293,945	33,987,853
Planning & Development	14,060,088	10,869,454
Road Transport	301,651	-
Water	12,081,000	30,094,153
	58,810,137	107,608,821

The municipality does not expect any significant changes to the level of grants.

25.1 Equitable share

Grants received	18,978,000	17,536,395
Conditions met - Operating	(18,978,000)	(17,536,395)
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

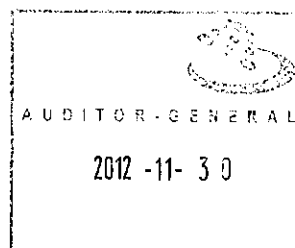
25.2 Extended Public Works Program

Opening balance	-	-
Grants received	502,000	-
Conditions still to be met	502,000	-

Job creation projects in previous disadvantage areas

25.3 Local Government Financial Management Grant (FMG)

Opening balance	-	-
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BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Grants received	1,250,000	2,750,000
Conditions met - Operating	(1,250,000)	(2,750,000)
Conditions still to be met	-	-

The Financial Management Grant is paid by National Treasury to medium capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

25.4 Municipal Systems Improvement Grant

Opening balance	-	-
Grants received	790,000	750,000
Conditions met - Operating	(790,000)	(750,000)
Conditions still to be met	-	-

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems, paid by National Treasury.

25.5 Municipal Infrastructure Grant (MIG)

Opening balance	-	9,094,153
Grants received	12,081,000	-
Conditions met - Operating	(6,193)	(53,824)
Conditions met - Capital	(12,074,807)	(9,040,329)
Conditions still to be met	-	-

The grant was used to upgrade infrastructure in previously disadvantaged areas, paid by National Treasury.

25.6 Housing Grants

Opening balance	25,840,364	7,423,123
Grants received	16,327,134	52,405,094
Conditions met - Operating	(8,293,945)	(24,716,065)
Conditions met - Capital	-	(9,271,788)
Conditions still to be met	33,873,553	25,840,364

Housing grants was utilised for the development of erven and the erection of top structures, paid by the

25.7 National Electrification Programme

Opening balance	242,549	1,436,516
Grants received	2,000,000	10,000,000
Conditions met - Capital	(281,798)	(11,193,967)
Conditions still to be met	1,960,751	242,549

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

25.8 Drought Relief Grant

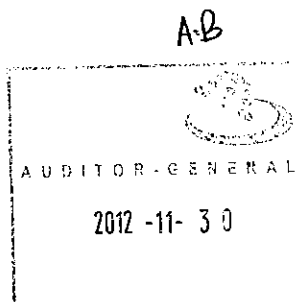
Opening balance	-	-
Grants received	-	20,000,000
Conditions met - Capital	-	(20,000,000)
Conditions still to be met	-	-

The grant was received from the National Treasury for the construction of a Desalination Plant to assist us in drought situations.

25.9 Neighbourhood Development Grant (NDPG)

Opening balance	7,531,896	3,531,807
Grants received	9,990,000	14,709,148
Conditions met - Capital	(14,060,088)	(10,709,059)
Conditions still to be met	3,461,808	7,531,896

Job creation in the previous disadvantage areas



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

25.10 Provincial Management Support Grant

Opening balance	164,205	324,600
Grants received	200,000	-
Conditions met - Operating	-	(160,395)
Conditions still to be met	<u>364,205</u>	<u>164,205</u>

The Grant was received from Provincial Government to assist with the implementation of Performance Management in the Municipality.

25.11 Community Development Workers

Opening balance		-
Grants received	52,000	75,000
Conditions met - Operating	(39,106)	(75,000)
	<u>12,894</u>	<u>-</u>

Conditions still to be met

The grant was received from the Provincial Department of Local Government and Housing to assist with the operating cost of the CDW program.

25.12 Library Grant

Opening balance	-	-
Grants received	425,000	350,000
Conditions met - Operating	(385,549)	(350,000)
Conditions still to be met	<u>39,451</u>	<u>-</u>

The grant was received from the Provincial Department of Local Government to assist with the operating cost of libraries. The funds should be used to assist with the appointment of temporary staff and literacy projects. No funds were withheld.

25.13 Spatial Planning

Opening balance	84,200	84,200
Conditions still to be met	<u>84,200</u>	<u>84,200</u>

The grant was received from the Provincial Department of Environmental Affairs and Planning for the review of the spatial development framework. No funds were withheld. Projects that relates to Spatial Planning are

25.14 Revitalise urban areas

Opening balance	50,000	50,000
Conditions still to be met	<u>50,000</u>	<u>50,000</u>

The grant was received from the Provincial Department of Environmental Affairs and Planning for a study in respect of the revitalisation of urban areas. No funds were withheld. Projects that relate to the above are still

25.15 Socio Economic upgrading of informal settlements

Opening balance	50,000	50,000
Conditions still to be met	<u>50,000</u>	<u>50,000</u>

The grant was received from the Provincial Department of Environmental Affairs and Planning for a study in respect of the socio-economic upgrading of informal settlements. No funds were withheld. Projects that relates to socio economic upgrade of informal settlements are still incomplete.

25.16 Traffic Disaster

Opening balance	782	782
Conditions still to be met	<u>782</u>	<u>782</u>

The grant was received from Provincial Department to assist with Traffic Disasters

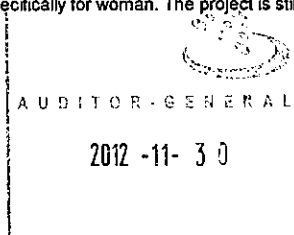
25.17 MPC Kurland

Opening balance	16,818	16,818
Conditions still to be met	<u>16,818</u>	<u>16,818</u>

The grant was received from the National Department of Agriculture for an Local Economic Development project. The monies were to be used for a job creation project, specifically for women. The project is still

25.18 Eden District Municipality Water Grant

Opening balance



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Grants received	-	1,000,000
Conditions met - Capital	-	(1,000,000)
Conditions still to be met	-	-

The grant was received from the Eden District Municipality for water infrastructure . No funds were withheld.

25.19 Municipal Replacement Grant

Opening balance	-	-
Grants received	2,069,000	-
Conditions met - Operating	(2,069,000)	-
Conditions met - Capital	-	-
Conditions still to be met	-	-

This grant was received as a contribution for the operational cost of the libraries

25.20 Proclaimed Roads Maintenance

Opening balance	-	-
Grants received	800,000	-
Conditions met - Operating	(301,651)	-
Conditions still to be met	498,349	-

This subsidy was for maintenance on main roads , belonging to the Western Cape Government

25.21 Escom Demand Side Management (EDSM)

Opening balance	-	-
Conditions met - Capital	(280,000)	-
Conditions met- Grant to recover	(280,000)	-

25.22 Total Grants

Opening balance	33,980,814	22,011,999
Grants received	65,464,134	119,575,637
Conditions met - Operating	(32,113,444)	(46,391,679)
Conditions met - Capital	(26,696,693)	(61,215,143)
Conditions still to be met/(Grant expenditure to be recovered)	40,634,812	33,980,814

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	40,914,812	33,980,814
Unpaid Conditional Government Grants and Receipts	(280,000)	-
	40,634,812	33,980,814

26 PUBLIC CONTRIBUTIONS AND DONATIONS

Augmentation Fees: Electricity	1,376	802,666
Augmentation Fees: Water	1,163,716	1,452,031
Augmentation Fees:Sewerage	385,122	1,381,661
LED Strategy	194,000	-
Allien Vegetation Eradication	1,251,457	-
Lipton	20,000	-
	3,015,671	3,636,357

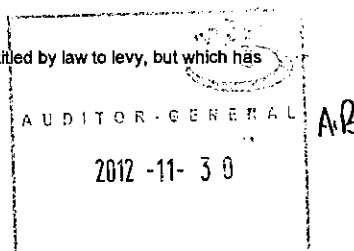
27 SERVICE CHARGES

Electricity charges	89,623,375	75,116,003
Water charges	29,994,272	28,362,299
Refuse removal charges	16,183,810	13,741,796
Sewerage and Sanitation Charges	28,084,782	25,258,528
	163,886,239	142,478,626
Less: Rebates	(3,744,602)	(2,998,602)
Total Service Charges	160,141,637	139,480,025

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

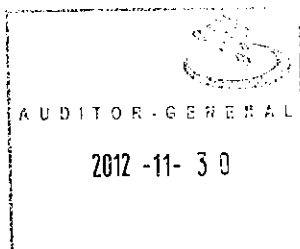
28 OTHER INCOME

Fuel Sales	1,082	2,871
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BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

A-B



Landing Fees	26,141	31,442
Building Plan Fees	1,025,676	1,394,459
Boat Launching Fees	25,467	166,456
List of building plans	3,310	5,273
Sale of wheelie bins	-	16,257
Fire fighting fees	90,508	90,350
Cemetery Fees	21,666	34,168
Conservancy Fees	839,991	774,503
Connection Fees	292,478	229,254
Services Connections	76,007	96,316
Re/disconnections	156,456	185,256
Sundries	1,072,165	2,014,225
Total Other Income	3,630,946	5,040,830

29

EMPLOYEE RELATED COSTS

Salaries and Wages	58,362,161	59,312,075
Contributions to UIF and pensions	9,121,336	9,082,752
Bonuses	3,889,309	5,063,647
Overtime payments	3,241,689	4,030,644
Standby Allowance	842,055	843,673
Travelling Allowance and subsistence and other Allowances	6,173,864	6,557,867
Housing Benefits and Allowance	717,150	617,532
Medical Aid contributions	8,166,002	7,606,795
Contributions to Group Insurance	1,672,832	1,715,598
Contributions to Leave	1,892,435	1,954,924
Contribution to Post Employment Medical	6,113,020	4,249,370
Contribution to Long Service awards	629,939	378,521
Provision for TASK	-	744,798
Total Employee Related Costs	100,821,794	102,158,196

KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 5-year and all other Directors on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager (Period July 2011-February 2012)

Annual Remuneration	1,051,268	944,379
Performance Bonus	-	107,467
Travelling Allowance	141,760	144,000
Telephone allowance	-	18,000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	37,589	31,422
Total	1,230,618	1,245,268

Remuneration of the Director Infrastructure and Technical Services

Annual Remuneration	744,772	513,600
Performance Bonus	-	91,347
Travelling Allowance	147,816	323,789
Telephone allowance	-	18,000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	109,389	114,443
Total	1,001,977	1,061,178

Remuneration of the Director Corporate Services

Annual Remuneration	866,584	813,174
Performance Bonus	-	91,347
Travelling Allowance	100,000	100,000
Telephone allowance	-	18,000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	47,153	38,657
Total	1,013,737	1,061,178

Remuneration of the Director Community Services

Annual Remuneration	782,958	776,405
Performance Bonus	-	91,347
Travelling Allowance	181,318	144,000
Telephone allowance	-	18,000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	45,017	31,427
Total	1,009,292	1,061,178

Remuneration of the Chief Financial Officer (July 2011-Febr 2012)

Annual Remuneration	587,124	874,275
Performance Bonus	-	96,720
Travelling Allowance	96,301	132,000

BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Telephone allowance	1,750	18,000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	8,936	1,547
	694,111	1,122,542

Remuneration of the Director : Strategic Services

Annual Remuneration	948,975	695,805
Performance Bonus	-	91,347
Bonus	4,062	-
Travelling Allowance	299,062	129,235
Telephone allowance	2,000	18,000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	81,642	126,791
	1,335,741	1,061,178

30 REMUNERATION OF COUNCILLORS

Executive Mayor	545,665	531,865
Deputy Executive Mayor	439,043	427,846
Speaker	409,747	422,162
Mayoral Committee Members	837,184	431,975
Councillors	1,310,280	1,027,282
Councillors-other allowances	193,415	151,693
Total Councillors' Remuneration	3,735,333	2,992,823

In-kind Benefits

The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Executive Mayoral Committee Members of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties. The Executive Mayor is also provided with official transport for public duties.

31 DEBT IMPAIRMENT

Receivables from exchange transactions - Note 20	10,827,858	10,920,985
Receivables from non-exchange transactions - Note 21	898,042	1,203,467
Total Contribution to Debt Impairment	11,725,900	12,124,452
Less: Portion Relating to VAT	(1,258,187)	-
Debt Impairment recognised in statement of financial performance	10,467,713	12,124,452

32 DEPRECIATION AND AMORTISATION

Property Plant and Equipment	18,282,038	15,859,873
Investment Property	168,107	168,107
Intangible Assets	565,006	563,150
	19,015,151	16,591,128

33 IMPAIRMENTS

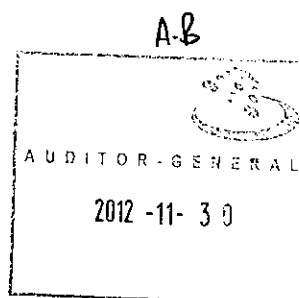
Property Plant & Equipment	748,512	176,992
Intangible Assets	4,419,590	-
Inventory	61,708	89,072
	5,229,810	266,064

34 FINANCE CHARGES

Long-term Liabilities	12,109,589	9,869,930
Finance leases	163,151	263,064
Hire Purchase	-	7,744
Tip site restoration contribution	313,700	355,133
Pension Fund	205,507	-
Total finance charges	12,791,947	10,495,871

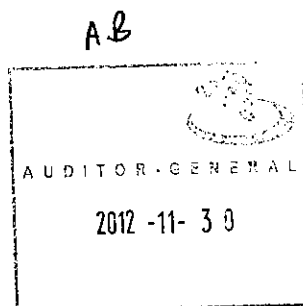
35 BULK PURCHASES

Electricity bulk	56,600,095	50,581,992
Total Bulk Purchases	56,600,095	50,581,992



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

36	GENERAL EXPENSES	2012 R	2011 R
	Advertising	531,032	541,205
	Hire & Maintenance	928,024	1,488,623
	Hire of Vehicles	2,002,155	2,304,641
	Local Economic Development	-	3,688
	I T Support	-	3,136,130
	Insurance	1,111,680	718,747
	Materials and Stores	857,849	816,425
	Printing and Stationary	699,114	650,502
	Audit Fees	1,221,790	2,221,915
	Rent: Other	1,283,823	952,389
	Events & Festivals	206,146	1,139,690
	Disaster Relief	382,873	1,831,759
	Congresses and Seminars	932,648	960,430
	Third Party Payments	-	22,749
	Security	-	2,713,978
	Emergency VIP Protection	-	695
	Telecommunication	1,604,057	1,512,678
	Training	133,021	621,139
	Legal Expenses	4,719,278	4,182,518
	Electricity Supply	2,036,153	1,856,307
	General Cleanup	1,485,334	1,293,438
	Vehicle Operating Cost	3,541,714	3,488,808
	Chemicals	1,263,385	1,125,944
	Other	20,175,399	15,786,632
	Total General Expenses	45,115,476	49,371,031



37 CORRECTION OF ERRORS IN TERMS OF GRAP 3

Prior year adjustments due to non-compliance with Accounting policy and errors

- 37.1** (a) Incorrect allocations in terms of payments for interest and redemption on annuity loans payable to Standard Bank were made in previous years originating in 2008. Standard Bank has amended their annuity tables, and this is now retrospectively corrected with the following entries:
(Dt) Accumulated Surplus - previous years - R94825.73 and (Ct) Long-term Liabilities - R94825.73
- (b) Salary payments and commissions on transfers for previous years have not been corrected during the previous financial year. It is now corrected retrospectively with the following entries : (Dt) Accumulated Surplus (2009) R242974.84 and (Ct) Receivables from non-exchange transactions R242974.84
- (c) As part of the revenue enhancement program, the following amounts were levied in the current year in respect of previous years errors in accounts:
(2010/11) Refuse R512847.48, Sewerage R1062963.18, Water R723235.83, Electricity R191420.40, Rates R1048007.19 and Sanitation (R36226.56
(2009/10) Refuse R435914.19, Sewerage R1158890.10, Water R652209.16, Electricity R130370.14, Rates R701853.56 and Sanitation (R50274.00)
It is corrected retrospectively with the following entries: (Dt) Receivables from exchange transactions R4781349.92 (Dt) Receivables from non-exchange transactions R1749860.75, and (Ct) Accumulated Surplus R6531210.67
- (d) Assets to the value of R3068316.21 in respect of the 2010/11 year were incorrectly not capitalized, with the effect that assets and creditors were both understated in the 2010/11 year. This error is now rectified with the following entries: (Dt) Property, Plant and Equipment R3068316.21, and (Ct) Payables from exchange transactions R871203.14 Retention and R2197113.07 other creditors)
(Ct) Accumulated Depreciation R1095.72 and (Dt) Accumulated Surplus - Depreciation 2010/11 R1095.72
- (e) Erf 2195 was previously not capitalized as an asset. This error is now corrected with the following entries: (Dt) Property, Plant and Equipment- Land and Buildings R892092 (Ct) Acc Surplus - prior years R892092, (Dt) Acc Surplus- prior years R33514 (Ct) Acc Depreciation Land and Buildings R33514, (Dt) Acc Surplus -current year (depreciation) R11171.33, (Ct) Acc Depreciation Land and Buildings R11171.33.
- (f) The useful lives of assets were incorrectly determined with the initial capitalization of it with the result that the accumulated depreciation were incorrectly calculated and consequently understated on assets nr's 2819, 11249 and 11258 respectively. This is now corrected with the following entries: (Dt) Acc Surplus - prior years R112324.4 and (Ct) Acc Depreciation - Other Assets R112324.40, (Dt) Acc Surplus-Current year (depreciation) R37441.46 (Ct) Acc Depreciation - Other Assets, R37441.46
- (g) All the land was not accounted in the calculation of the provision for alien vegetation. The provision was understated for previous years with R511832.09. This is now rectified retrospectively with the following entries: (Dt) Acc Surplus and (Ct) Provision for Clearing Alien Vegetation

The above representing the narratives of the following Corrections of Errors as set out from notes 37.2 to 37.8

37.2	Accumulated Surplus	2011 R	2010 R
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BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Balance previously reported	431,473,143	406,037,365
Correction of Long-term liabilities-see note 37.1 (a)	(94,826)	(94,826)
Correction of Receivables from non- exchange transactions-see note 37.1(b)	(242,975)	(242,975)
Correction of Receivables from exchange transactions-see note 37.1(c)	4,781,350	2,327,110
Correction of Receivables from non- exchange transactions-see note 37.1(c)	1,749,861	701,854
Correction of Property,Plant and Equipment-see note 37.1(d)	(1,096)	-
Corrections of Land and Buildings -see note 37.1(e)	847,407	858,578
Correction of Other Assets- see note 37.1(f)	(149,766)	(112,324)
Correction of Non-Current Provisions-see note 37.1(g)	(511,832)	(511,832)
Restated balance	437,851,266	408,962,949

37.3 Receivables from non exchange transactions

Balance previously reported	10,069,163	9,439,452
Correction of error -see note 37.1(b)	(242,975)	(242,975)
Correction of error-see note 37.1(c)	1,749,861	701,854
Restated balance	11,576,049	9,898,331

37.4 Long-term Liabilities

Balance previously reported	82,141,180	45,227,154
Correction of error -see note 37.1(a)	94,827	94,826
Restated balance	82,236,007	45,321,980

37.5 Receivables from Exchange transactions

Balance previously reported	20,373,116	17,391,437
Correction of error -see note 37.1(c)	4,781,350	2,327,110
Restated balance	25,154,466	19,718,547

37.6 Payables from exchange transactions

Balance previously reported	55,883,838	-
Correction of error -see note 37.1(d)	3,068,316	-
Restated balance	58,952,152	-

37.7 Property, Plant and Equipment

Balance previously reported	524,192,857	441,016,977
Correction of error -see note 37.1(d)	3,068,316	-
Correction of error -see note 37.1(d)	(1,096)	-
Correction of error -see note 37.1(e)	847,407	858,578
Correction of error-see note 37.1(f)	(149,765)	(112,324)
Restated balance	527,957,719	441,763,231

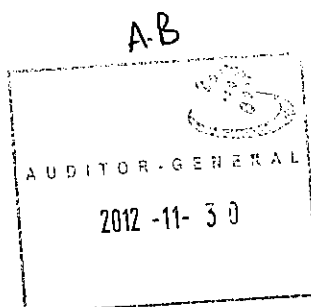
37.8 Non-Current Provisions

Balance previously reported	6,834,755	6,258,568
Correction of error-see note 37.1(g)	511,832	511,832
Restated balance	7,346,587	6,770,400

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RECONCILIATION BETWEEN NET DEFICIT FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

	2012 R	2011 R
Surplus for the year	9,107,622	28,128,100
Adjustments for:		
Depreciation	18,450,145	16,027,978
Amortisation of Intangible Assets	565,006	563,150
Asset Impairment	5,168,102	176,992
Loss on disposal of property,plant and equipment	-	734,365
Debt Impairment	11,725,900	12,124,452
Debt Impairment-written off	(1,205,061)	(5,363,598)
Contribution to non current liability	536,115	576,187
Contribution to employee benefits-current	237,967	2,874,129
Contribution from/to employee benefits-non current	16,873,449	10,595,618



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Provisions	850,000	
Operating lease income accrued	1,230	966
Operating lease expenses accrued	(30,553)	(13,147)
Operating Surplus before changes in working capital	62,279,922	66,425,192
Changes in working capital	(35,661,050)	22,439,874
(Decrease)/Increase in Payables from Exchange Transactions	(38,017,828)	18,069,291
Increase in Unspent Conditional Government Grants and Receipts	6,933,998	11,968,815
Increase in Unspent Conditional Public Grants and Reserves	663,920	2,982,630
Increase in Taxes	12,783,584	2,680,789
Decrease in Inventory	271,684	612,852
Decrease in Non Current Assets Held For Sale	37,500	
(Increase) in Trade and other receivables	(18,053,908)	(12,102,837)
Increase in Unpaid Conditional Government Grants and Receipts	(280,000)	(1,771,666)
Cash generated by operations	28,618,872	88,865,067

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CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - Note 23	27,044,104	10,191,098
Cash Floats - Note 23	11,220	11,220
Bank - Note 23	1,564,610	6,481,294
Total cash and cash equivalents	28,619,934	16,683,612

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RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

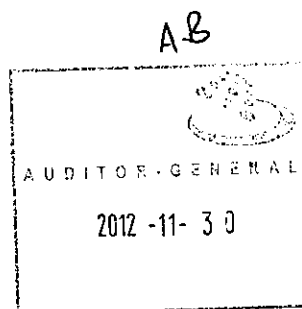
Cash and Cash Equivalents - Note 39	28,619,934	16,683,612
Less:	28,619,934	16,683,612
	46,906,739	26,525,237
Unspent Committed Conditional Grants - Note 10	40,914,812	33,980,814
VAT - Note 12	2,345,377	(10,438,207)
Unspent Public Contributions	3,646,550	2,982,630
Resources available for working capital requirements	(18,286,805)	(9,841,625)

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UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 3	123,638,729	102,605,722
Used to finance property, plant and equipment - at cost	(123,638,729)	(102,605,722)
Cash set aside for the repayment of long-term liabilities	-	-
Cash Invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

42

BUDGET COMPARISONS

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
42.1 Operational				
Revenue by source				
Property taxes	69,812,089	70,500,000	(687,911)	-1%
Government Grants and Subsidies-capital	26,696,693	31,845,446	(5,148,753)	-16%
Government Grants and Subsidies	32,113,444	42,763,357	(10,649,913)	-25%
Public Contributions and Donations	3,015,671	4,580,000	(1,564,329)	-34%
Fines	5,143,656	4,753,900	389,756	8%
Service Charges	160,141,637	155,673,054	4,468,583	3%
Rental of Facilities and Equipment	763,295	1,907,953	(1,144,658)	-60%
Interest Earned - external investments	1,613,757	482,000	1,131,757	235%
Interest Earned - outstanding debtors	3,161,664	3,090,000	71,664	2%
Agency Services	760,645	700,000	60,645	9%
Other Income	3,630,946	5,927,995	(2,297,049)	-39%
Licences and Permits	94,461	116,000	(21,539)	-19%
Gain on disposal of Property, Plant and Equipment	390,893	403,893	(13,000)	-3%
	307,338,851	322,743,598	(15,404,747)	-5%
Expenditure by nature				
Employee Related Costs	100,821,794	96,037,743	(4,784,051)	5%
Remuneration of Councillors	3,735,333	3,724,708	(10,625)	0%
Debt Impairment	10,467,713	9,444,999	(1,022,714)	11%
Collection Cost	995,711	660,000	(335,711)	51%
Depreciation and Amortisation	19,015,151	18,238,116	(777,035)	4%
Impairments	5,229,810	-	(5,229,810)	-100%
Repairs and Maintenance	10,240,307	12,324,305	2,083,998	-17%
Actuarial losses	11,195,964	-	(11,195,964)	-100%
Finance Charges	12,791,947	11,966,718	(825,229)	7%
Bulk Purchases	56,600,095	65,000,000	8,399,905	-13%
Contracted services	10,998,681	11,755,964	757,283	-6%
Operating Grant Expenditure	10,998,745	20,146,134	9,147,389	-45%
General Expenses	45,115,476	53,951,366	8,835,890	-16%
Loss on Disposal of PPE	24,500	-	(24,500)	-100%
	298,231,229	303,250,053	5,018,824	-2%
Net Surplus for the year	9,107,622	19,493,545	(10,385,923)	-53%

Reasons: Revenue by source

Government Grants and Subsidies-capital - Unspent portion of capital grants received not recognised as income.

Government Grants and Subsidies

Public Contributions and Donations - Unspent portion of Lotto funding not recognised as income

Rental of Facilities and Equipment - Reduction in rental of Look Out Beach Restaurant

Interest Earned - external investments: Unspent portion of external loans Invested, resulting in higher than anticipated interest received

Other Income - Vat Recovery transferred

Reasons: Expenditure by nature

Debt Impairment - Under provision of debt impairment

Impairments - Impairment of Infrastructure and Other Assets not provided for

Repairs and Maintenance - Less than anticipated expenditure on various votes due to savings measures by Municipal Manager

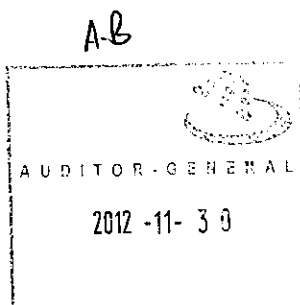
Bulk Purchases - Less than anticipated electricity purchases for winter period

Operating Grant Expenditure - Capital portion of Housing grant portion not correctly allocated

General Expenses - Savings on some votes including due to forced savings measurements instituted by the Municipal Manager.

Loss on Disposal of PPE - Fire engine sold for less than its carrying value

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
42.2 Expenditure by Vote				
Community & Social Services	7,884,308	8,887,235	(1,002,927)	-11%
Corporate Services	19,144,047	22,420,913	(3,276,866)	-15%
Electricity	70,245,980	81,842,904	(11,596,924)	-14%
Executive & Council	56,939,818	37,457,136	19,482,682	52%
Budget & Treasury	18,189,216	18,562,876	(373,660)	-2%
Housing	13,184,791	21,359,171	(8,174,380)	-38%
Health	17,515	-	17,515	100%
Other	3,797,781	5,707,229	(1,909,448)	-33%
Planning & Development	7,375,269	8,318,444	(943,175)	-11%
Public Safety	17,562,003	17,579,162	(17,159)	0%
Road Transport	18,345,368	17,231,925	1,113,443	6%
Sport & Recreation	14,276,951	15,379,028	(1,102,077)	-7%
Waste Management	13,533,551	14,836,419	(1,302,868)	-9%
Waste Water Management	17,778,670	15,090,995	2,687,675	18%



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Water	19,955,861	18,576,616	1,379,345	7%
	<u>298,231,229</u>	<u>303,250,053</u>	<u>(5,018,824)</u>	<u>-2%</u>
	2012	2012	2012	2012
	R	R	R	(%)
42.3 Capital expenditure by vote	(Actual)	(Budget)	(Variance)	
Community & Social Services	9,625,424	9,956,861	(331,437)	-3%
Corporate Services	1,951,706	3,180,000	(1,228,294)	-39%
Electricity	2,506,036	4,383,139	(1,877,103)	-43%
Executive & Council	52,859	60,000	(7,141)	-12%
Budget & Treasury	28,100	270,000	(241,900)	-90%
Housing	7,000,000	7,121,000	(121,000)	-2%
Planning & Development	38,133	90,000	(51,867)	-58%
Public Safety	759,072	815,145	(56,073)	-7%
Road Transport	7,727,484	11,235,734	(3,508,250)	-31%
Sport & Recreation	1,813	5,000,000	(4,998,187)	-100%
Waste Management	190,291	3,500,000	(3,309,709)	-95%
Waste Water Management	630,922	900,000	(269,078)	-30%
Water	7,039,324	7,168,500	(129,176)	-2%
	<u>37,551,165</u>	<u>53,680,379</u>	<u>(16,129,214)</u>	<u>-30%</u>

Reasons for under spending

Electricity - Housing Electrification project rolled-over and to be completed in 2012/2013 financial year
 Budget & Treasury - Delay with SCM processed for procurement of Metering System
 Planning & Development - Moratorium placed on capital expenditure
 Sport & Recreation - Construction of Swimming pool did not realise. Lotto funds provided for the upgrading of sports facilities to be rolled over to 2012/2013
 Waste Management: Construction of waste transfer station did not realise as anticipated.
 Waste Water - Combination of savings on equipment procured and the moratorium placed on capital expenditure

43	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2012	2011
		R	R
43.1	Unauthorised expenditure		
	Reconciliation of unauthorised expenditure:		
	Opening balance	35,908,259	-
	Unauthorised expenditure current year - capital	-	-
	Unauthorised expenditure current year - operating	24,680,661	26,066,634
	Written off by council	-	-
	Unspent Grants not cash backed	18,286,805	9,841,625
	Unauthorised expenditure awaiting authorisation	<u>78,875,725</u>	<u>35,908,259</u>

Unauthorised expenditure on operating votes is mainly due to provisional (book entries), amounts recognised in terms of GRAP implementation.

Incident	Disciplinary steps/criminal proceedings		
Over expenditure on votes 2010/2011	None		26,066,634
Over expenditure on votes 2011/2012	None	24,680,661	
The portion of unspent government grants which is not cash backed- (see also note 40)	None	18,286,805	9,841,625
		<u>42,967,466</u>	<u>35,908,259</u>
		2012	2011
		R	R

43.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	3,619,682	-
Fruitless and wasteful expenditure current year	4,480,425	3,619,682
Paid back/condoned	(3,619,682)	-
Fruitless and wasteful expenditure awaiting further action	<u>4,480,425</u>	<u>3,619,682</u>

Incident	Disciplinary steps/criminal proceedings	
Interest and penalties paid on VAT	None	45,719
Software bought from Lafatshe not utilised	None	4,419,589
Interest - late payment of Escom accounts	None	12,549
Interest - late payment of pensionsfund	None	2,567

AUDITOR - GENERAL

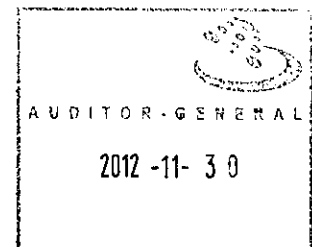
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BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4,480,425

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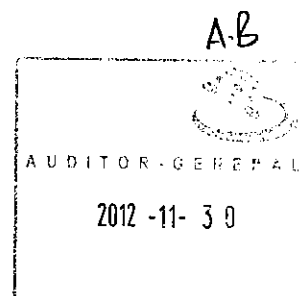
BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
43.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	4,626,366	-
Irregular expenditure current year	536,713	4,626,366
Irregular expenditure awaiting further action	<u>5,163,079</u>	<u>4,626,366</u>

Incident	Disciplinary steps/criminal proceedings	
Irregular expenditure of previous financial year not finalized	In process to investigate	4,626,366
Shortages in Motor registration Agency Fees-possible fraud	In process to investigate	187,495
Transactions with suppliers where their interest in the state were not disclosed and recorded	None	59,163
Deviations from the normal procurement processes nor recorded	None	84,085
Transactions with suppliers who are related to members of the municipality but not disclosed and recorded	None	205,970

	2012	2011
43.4 Material Losses		
Water distribution losses		
- Kilo litres disinfected/purified/purchased	2,836,779	2,573,438
- Kilo litres lost during distribution	457,665	519,950
- Percentage lost during distribution	16.13%	20.20%
Electricity distribution losses		
- Units purchased (Kwh)	101,905,034	103,307,029
- Units lost during distribution (Kwh)	10,165,642	12,475,041
- Percentage lost during distribution	9.98%	12.08%

	2012 R	2011 R
44 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
44.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Council subscriptions	675,969	417,265
Amount paid - current year	(675,969)	(417,265)
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
	2012 R	2011 R
44.2 Audit fees - [MFMA 125 (1)(c)]		
Opening balance	-	-
Current year audit fee	1,221,790	2,221,915
External Audit - Auditor-General	<u>1,221,790</u>	<u>2,221,915</u>
Amount paid - current year	(1,221,790)	(2,221,915)
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
44.3 VAT - [MFMA 125 (1)(b)]		
Vat in suspense	(2,345,377)	10,438,207
Payable/ Receivable	<u>(2,345,377)</u>	<u>10,438,207</u>



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

VAT is payable/receivable on the receipt basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

	2012 R	2011 R
44.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]		
Current year payroll deductions and Council Contributions	12,672,103	12,372,055
Amount paid - current year	(11,714,186)	(12,372,055)
Balance unpaid (Included in creditors)	957,917	-
44.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	26,035,346	16,053,558
Amount paid - current year	(25,064,921)	(16,053,558)
Balance unpaid (Included in creditors)	970,425	-
44.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]		
Councillors with arrear accounts for more than 90 days as at 30 June 2012		
	2012 R Outstanding more than 90 days	2011 R Outstanding more than 90 days
L.R. Jonas	4,044	-
J.J.N. Stuurman	5,518	-
S.E. Gcabayi	8,062	-
Total Councillor Arrear Consumer Accounts	17,624	-

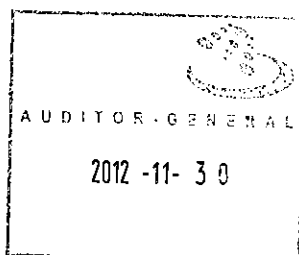
44.7 Other non-compliance (MFMA 125(2)(e))

Deviations from, and ratifications of breaches of the Procurement Processes due to Specialised Services, Advertising, Accommodation, Sole Suppliers, Emergencies, Breakdowns, Strip and Quotes
All the deviations were ratified by the Municipal Manager and reported to Council

	Less than R 30,000	Between R 30,001 R 200,000	Between R200001 and R 2,000,000	More than R 2,000,000
Corporate Services	97,503	-	-	-
Infrastructure	319,605	865,253	662,723	-
Financial Services	125,443	237,670	943,732	-
Community Services	89,474	911,514	-	-
Municipal Manager	104,225	1,359,681	4,893,702	-
Mayors Office	46,843	1,180,178	-	-
Strategic Services	72,949	546,321	-	-
Electric Services	69,370	164,365	-	-
	925,411	5,264,983	6,500,156	-

44.8 Awards above R2000 to spouses, child, parent of a person in service of the state (Section 45 of the Supply Management Policy).

Company	Name	Capacity	Relation	Accumulated Amount R
E&P Enterprise	E. Marais	Secretary CFO	Father	31,341
Victory Ticket 887	T. Ngolo	Director Admin	Son	38,067
Pikas Tours	J. Pika	Sport Dev Officer	Brother	10,500
Phelo Construction	S. Lose	Exec Mayor's Off	Brother	25,152
Siziala Construction	A. Gova	Mechanic	Brother	100,910



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

45

CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

2012
R

2011
R

26,585,290 **10,716,995**

Total commitments consist out of the following:

New Horizon precincts-supply of cycle path	1,567,775
Electrification of 330 informal houses	1,300,135
Tender MSID30/2011	53,694
Tender MSID32/2011	1,238,001
Tender MSID35/2011	1,413,653
Tender MSID37/2011	377,556
Tender MSID38/2011	13,293,317
Tender MSID45/2011	242,029
Tender MSID43/2011	674,219
Tender FIN01/2012	1,452,777
Tender MSID06/2012	2,104,224
Tender MSID11/2012	1,567,775
Tender MSID15/2012	1,300,135

This expenditure will be financed from:

Government Grants and Subsidies	26,585,290	7,531,846
External Loans	-	2,084,671
Own Funds	-	1,100,478
	<u>26,585,290</u>	<u>10,716,995</u>

2012
R

2011
R

46

FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

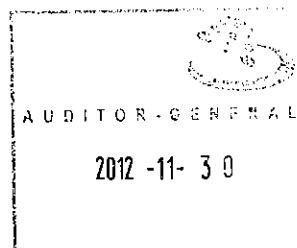
The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

0.5% Increase in interest rates	(596,446)	(740,580)
0.5% Decrease in interest rates	596,446	740,580

A.B



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 20 and 21 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Balances past due not impaired:

	2012 %	2012 R	2011 %	2011 R
Non-Exchange Receivables				
Rates	100.00%	7,139,061	100.00%	7,429,714
Exchange Receivables				
Electricity	6.91%	1,010,207	4.39%	345,909
Water	22.44%	3,282,288	22.73%	1,790,461
Refuse	10.64%	1,556,355	10.36%	816,497
Sewerage	32.23%	4,715,416	31.14%	2,453,337
Other	26.91%	3,936,420	30.70%	2,418,571
Housing Rentals	0.88%	129,151	0.67%	52,676
	100.00%	14,629,837	100.00%	7,877,451

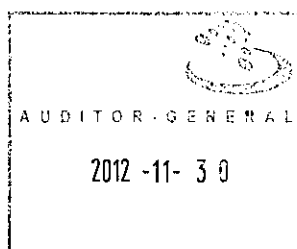
No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 20 and 21 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime tending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2012 %	2012 R	2011 %	2011 R
Non-Exchange Receivables				
Rates	100.00%	5,026,577	100.00%	4,775,365
Exchange Receivables				
Electricity	10.38%	3,785,920	11.92%	3,126,229
Water	27.22%	9,930,990	26.49%	6,945,195
Refuse	22.97%	8,382,927	21.78%	5,710,598
Sewerage	32.01%	11,679,237	31.55%	8,272,227
Other	6.71%	2,447,010	7.59%	1,990,652
Housing Rentals	0.72%	261,752	0.66%	173,308
	100.00%	38,487,836	100%	26,218,209

A-B



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. An investment to the value of R 4275037 is held as security for a loan raised with ABSA. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

	2012 R	2011 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	31,290,858	25,154,466
Receivables from non-exchange transactions	12,972,726	11,576,049
Cash and Cash Equivalents	28,619,934	16,683,612
Unpaid conditional grants and subsidies	280,000	-
Longterm Receivables	289,367	366,101
Non-Current Investments	4,275,037	3,971,733
	<u>77,727,922</u>	<u>67,761,961</u>

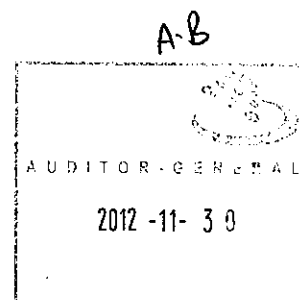
(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012				
Long Term liabilities	22,958,404	83,354,729	78,993,463	33,458,461
Capital repayments	9,443,996	39,504,464	49,989,162	24,701,107
Interest	13,514,408	43,850,265	29,004,301	8,757,354
Non-Current Provision	7,882,702			
Trade and Other Payables	15,933,661	-	-	-
Unspent conditional government grants and receipts	40,914,812	-	-	-
	<u>87,689,580</u>	<u>83,354,729</u>	<u>78,993,463</u>	<u>33,458,461</u>



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2011				
Long Term liabilities	18,285,305	64,993,213	60,690,940	43,036,657
Capital repayments	7,443,040	29,492,607	35,360,891	30,214,358
Interest	10,842,265	35,500,606	25,330,049	12,822,299
Non Current Provision	7,346,587			
Trade and Other Payables	54,009,875	-	-	-
Unspent conditional government grants and receipts	33,980,814	-	-	-
	113,622,581	64,993,213	60,690,940	43,036,657

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FINANCIAL INSTRUMENTS

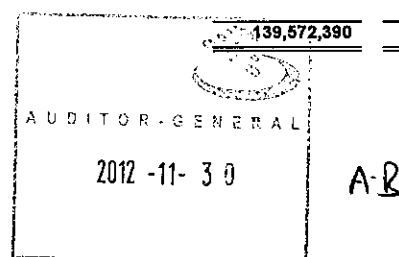
In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

47.1	Financial Assets	Classification	2012 R	2011 R
	Long-Term Receivables			
	House Loans	Financial instruments at amortised cost	211,686	290,794
	Receivables			
	Receivables from exchange transactions	Financial instruments at amortised cost	31,290,858	25,154,466
	Receivables from non- exchange transactions (excluding rates)	Financial instruments at amortised cost	787,985	341,430
	Current Portion of Long-Term Receivables			
	Housing Loans		77,680	75,307
	Short-term Investment Deposits			
	Call Deposits	Financial instruments at amortised cost	27,044,104	10,191,098
	Bank Balances and Cash			
	Bank Balances	Financial instruments at amortised cost	1,564,610	6,481,294
	Cash Floats and Advances	Financial instruments at amortised cost	11,220	11,220
	Investments	Financial instruments at amortised cost	4,275,037	3,971,733
			65,263,181	46,517,342
	SUMMARY OF FINANCIAL ASSETS			
	Financial instruments at amortised cost		65,263,181	46,517,342
	At amortised cost		65,263,181	46,517,342

FINANCIAL INSTRUMENTS (CONTINUE)

47.2	Financial Liability	Classification		
	Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	114,008,747	93,950,573
	Capitalised Lease Liability	Financial instruments at amortised cost	185,987	803,860
	Payables from exchange transactions			
	Trade creditors	Financial instruments at amortised cost	13,107,390	46,499,503
	Deposits	Financial instruments at amortised cost	-	5,019,402
	Other	Financial instruments at amortised cost	2,826,271	2,490,970
	Current Portion of Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	8,561,831	6,722,942
	Capitalised Lease Liability	Financial instruments at amortised cost	682,165	1,128,347
			139,572,390	156,615,597
	SUMMARY OF FINANCIAL LIABILITY			



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Financial instruments at amortised cost

139,672,390

156,616,597

48 EVENTS AFTER THE REPORTING DATE

A CFO was appointed in terms of section 56 of the MFMA , and will commence with duty as from 3 September 2012. Council is also in the process to appoint a Municipal Manager, and it is anticipated that the process will be finalised at the end of October 2012.

49 IN-KIND DONATIONS AND ASSISTANCE

None

50 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

51 CONTINGENT LIABILITY

51.1 Litigation Labour Court/Kenny Leluma

The respondent statement of defence in this matter was filed in which he claims certain payments due to him. A request for reconciliation in this matter was filed by the respondent in an attempt to settle this issue. The estimate financial exposure in this case ,should it be successfully settled, amounted to R70000

51.2 Wavelengths

The claim for R28 million for a land sale which was cancelled , and litigated by the respondent, was successfully opposed by council. Although the judgement of the High Court ruled in favour of council, the respondent filed an appeal. It seems very unlikely that the respondent will be successful with the appeal. However , apart from this case, council is still liable to repay the R28 million to the Western Cape Government and this amount is reflected as unspent government grants and subsidies in note 25.6

51.3 Vaughn Barry Arenold

The plaintiff is arguing against council's refusal to approve a building plan and claims for a compensation agreement in the High Court .Should the plaintiff be successful, a potential cash outflow is possible of which the amount is not yet determined at this stage

51.4 Mohaleng Media

This company alleges that the municipality owed them money for producing a communication strategy. On the face of prima- facie evidence , the municipality will oppose the claim and consider arbitration on this matter. If the arbitration process proceeds, the estimated cost will be in the region of an amount between R20000 to R150000

51.5 Divine Inspiration Trading 469 (Pty)Ltd and SD Parts Centre CC trading as Torque (Western Cape High Court case nr 1738/2011)

This revolves around the aspect of payment of legal cost. The municipality's legal counsel is of the opinion that the court should hold the respondent liable for payment of legal cost. The Taxing Master has indicated that this matter will be argued towards the end of 2012. As senior counsel is involved in this matter it could become an expensive affair, which exposes the municipality of cost of approximately R100000

51.6 Plett Sea 2 CC and Other entities of Mike Scholtz or pertaining to Twin Rivers Development

The municipality instructed its legal advisors to claim outstanding augmentation fees applicable on several phases of the development in the Twin River Development. The issues cannot be consolidated , thus separate summons will have to be issued in each matter. If the defendants not approaching the municipality to settle, and the matter goes to trial, the worst case scenario, i.e. when all the matters go on trial without settlement, is that the total legal cost of approximately R350000 could possibly accrue.

51.7 B Clairsons CC / MEC Environmental Affairs and Development (Western Cape High Court; Case no. 26165/10)

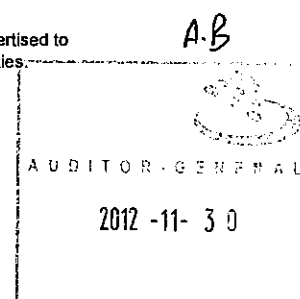
The municipality became involved as a 2nd respondent in this matter pursuant to an affidavit issued by a former Town Planner of the municipality. The applicant has filed a notice in terms whereof their bill of cost will be taxed on 7 November 2012. The 1st respondent will probably oppose the taxation and it might well expose the municipality as 2nd respondent to cost. It is estimated by the municipality's attorneys that the financial exposure can be approximately R15000

52 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

52.1 Related Party Loans



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

52.2 Compensation of key management personnel

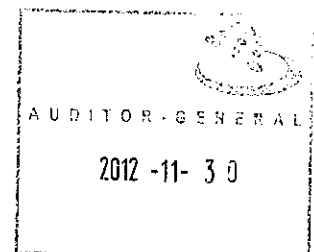
The compensation of key management personnel is set out in note 29 to the Annual Financial Statements.

52.3 Related party transactions

	Rates and Services Levied 1 Jul 11 - 30 Jun 12	Outstanding Balances 30 June 2012
Councillors		
<i>Councillor M Booysen</i>	2,171	628
<i>Councillor A. B. van Rhyner</i>	1,866	154
<i>Councillor C.L. Dreyer</i>	109,532	6,742
<i>Councillor A.R. Olivier</i>	2,580	212
<i>Councillor E.E. Paulse</i>	3,336	154
<i>Councillor N M De Waal</i>	2,110	154
<i>Councillor S E Gcabayi</i>	5,883	8,062
<i>Councillor L Jonas</i>		11,467
<i>Councillor M M Mbali</i>	2,477	454
<i>Alderman LL Mvimbi</i>	12,587	1,508
<i>Councillor A R Olivier</i>	2,580	212
<i>Councillor L M Seyisi</i>	-	-
<i>Councillor JJN Stuurman</i>	2,882	5,517
<i>Councillor SE Gcabayi</i>	5,883	8,062
<i>Councillor JWG Brummer</i>	-	-

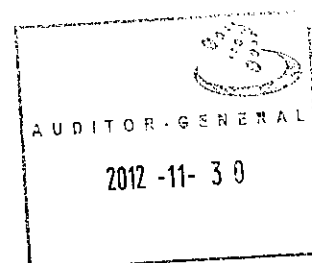
52.4 Other related party transactions

Refer to note 44.8 for other related party transactions.



BITOU MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

A-B



ANNEXURE B: REPORT OF THE AUDITOR GENERAL

REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON BITOU MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Bitou Municipality set out on pages 3 to 77, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2001) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bitou Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

8. As disclosed in note 37 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during 2012 in the financial statements of Bitou Municipality at, and for the year ended 30 June 2011.

Material losses

9. As disclosed in note 43.4 to the financial statements, the municipality suffered water losses of 16.13% or 457 665 kilolitres with a value of R174 317 during the year under review.

Material impairments

10. As disclosed in note 31 to the financial statements, material losses to the amount of R10 467 713 were reported by the municipality as a result of the impairment of irrecoverable trade receivables. A further R1 205 061 related to bad debts was written off by council.

Material under spending of the budget

11. As disclosed in note 42.3 to the financial statements, the municipality has materially underspent its capital budget by R16 129 214 (30%). The majority of the underspending relates to the NDPG project's next phase in respect of Road Transport, the construction of the swimming pool and construction of waste transfer station which did not realise in terms of sport and recreation and waste management respectively, which had been planned for the 2011/12 year and will now be rolled over to the following financial period.

Additional matters

12. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited supplementary schedules

13. The supplementary information set out on pages 78 to 83 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Material inconsistencies in other information included in the annual report

14. The draft annual report has not yet been submitted to us for review to identify any material inconsistencies that may exist between the annual report and financial statements. The final printer's proof of the annual report will be reviewed and any material inconsistencies then identified will be communicated to management. Should the inconsistencies not be corrected, it may result in the matter being included in the audit report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

15. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

16. I was unable to report on the usefulness and reliability of the predetermined objectives of Bitou Municipality as it was not prepared as required by or section 46 of the MSA and section 121(3)(c) of the MFMA.

Compliance with laws and regulations

17. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Strategic planning and performance management

18. The municipal council did not consult with the local community in the drafting and implementation of the municipality's IDP, by means of a municipal wide structure for community participation/through a forum that enhances community participation, as required by section 28 of the MSA and Local Government: Municipal planning and performance management regulations (MPPMRs) 15(1)(a)(i)..
19. The municipality did not establish a performance management system in line with the priorities,

objectives, indicators and targets contained in its integrated development plan and did not clarify the roles and responsibilities of each role-player in the functioning of the system and did not determine the frequency of reporting and the lines of accountability for performance and did not relate to the municipality's performance management processes and did not provide for procedures by which the system is linked to the municipality's integrated development planning processes, as required by section 38 (a) of the MSA and Regulation 7(2)(c)(e)(f)(g) of the MPPMRs.

20. The municipality did not establish mechanisms to monitor and review its performance management system, as required by section 40 of the MSA.

Annual financial statements and annual reports

21. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current provisions; employee benefits; intangible assets; impairment and certain disclosure items identified by the auditors in the submitted financial statements were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.
22. The 2010/2011 annual report was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127(2) of the MFMA.
23. The annual performance report for the financial year under review was not prepared or included in the annual report, as required by section 46 of the MSA and section 121(3)(c) of the MFMA.

Expenditure management

24. The accounting officer did not take reasonable steps to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Audit committee

25. The performance audit committee did not make recommendations to the council in respect of the performance management system, as required by Regulation 14(4)(a)(ii) of the MPPMRs.

Internal audit

26. The internal audit unit did not audit the results of the municipality's performance measurements as part of the municipality's internal auditing process as required by section 45(1)(a) of the MSA and Regulation 14(1)(a) of the MPPMRs.

27. The internal audit unit did not assess the functionality of the performance management system; whether the performance management system complied with the requirements of the Municipal Systems Act; the extent to which the performance measurements were reliable in measuring the performance of the municipality on key and general performance indicators, as required by Regulation 14(1)(b)(i),(ii) and (iii) of the MPPMRs, respectively.

Conditional grants

28. The municipality did not certify to National Treasury that it made public the conditions of the (schedule 4) allocation, as required by section 11(2)(a)(ii) of the Divisions of Revenue Act No 1 of 2010 (DoRA).
29. The municipality did not submit proof of the submission of a draft performance framework submitted by 30 March 2011, the final approved performance framework by 07 June 2011, the Human Settlement and built environment performance framework, proof that the performance framework and the performance targets have been ratified by a municipal council resolution prior to receipt of its first instalment of the grant allocation, as required by the Division of Revenue Grant Framework, Gazette No.34280 (DoR Framework).
30. The municipality did not submit the 2010/11 annual reports to national departments of human settlement on or before 30 September 2011 or to National Treasury by 15 December 2011, as required by the Division of Revenue Grant Framework, Gazette No.34280.
31. The municipality did not register its master plans for bulk infrastructure with the Integrated National Electrification Programme (INEP), as required by the DoR Framework.
32. Projects were not implemented in line with the details contained in the Integrated Development Plan, as required by the DoR Framework.

Procurement and contract management

33. Quotations were accepted from prospective providers who are not registered on the list of accredited prospective providers and do not meet the listing requirements prescribed by the supply chain management (SCM) policy in contravention with SCM regulation 17(b).
34. Invitations for competitive bidding were not always advertised for a required minimum period of days, as required by SCM regulation 22(1)(b) & 22(2).
35. Construction projects were not always registered with the Construction Industry Development Board (CIDB), as required by section 22 of the CIDB Act and CIDB regulation 18.
36. Awards were made to providers who are persons in service of other state institutions, in

contravention of SCM regulation 44. Similar awards were identified in the prior year and no effective steps were taken to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1).

37. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by SCM regulation 46(2)(e).

Human resource management

38. The municipal manager and senior managers directly accountable to the municipal manager did not sign performance agreements, as required by section 57(2)(a) MSA.

Revenue

39. Revenue received was not reconciled on a weekly basis, as required by section 64(2)(h) of the MFMA.

Asset management

40. All investments were not made in accordance with the requirements of the investment policy stipulating at least three quotations to be obtained for investments, as required by regulation 3(3) of the Municipal investment regulations.

Internal control

41. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the report on performance against predetermined objectives and the findings on compliance with laws and regulations included in this report.

Leadership

42. The council did not exercise adequate oversight responsibility over reporting to ensure complete and accurate reporting of predetermined objectives and over compliance with the relevant laws and regulations.
43. There was a lack of oversight responsibility to ensure the implementation of the financial

management action plans and compliance with laws and regulations.

44. Ineffective HR management practices resulted in a lack of monitoring to ensure that the supply chain management officials are adequate and sufficiently skilled and that performance agreements are implemented for the municipal manager and senior managers.

Financial and performance management

45. Insufficient monitoring of the overall performance management system within the municipality resulted in non compliance with laws and regulations and the inability to submit a performance report for audit.

Governance

46. The internal audit unit did not function adequately as it did not perform its audit activities according to the approved audit plan. The performance audit committee also did not fulfil its responsibilities in matters relating to performance management as set out in legislation as it did not report the non compliance in respect of the municipality's performance management to council.

Auditor-General

Cape Town

30 November 2012



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence

ANNEXURE C: REPORT OF THE PERFORMANCE AUDIT COMMITTEE

Due to the resignation of the majority of the members of the Audit Committee and the lack of suitable candidates an Audit Committee has not considered the AR yet.

Draft